The heart of student living
UNITE

The UK's leading developer and manager of student accommodation

Preliminary Results

Year ended 31 December 2012

HIGHLIGHTS

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- Strong financial performance
  - 11.3% total return
  - NPC up 74% to £19.1m
  - NAV per share up 10% to 350pps
  - Final dividend increased to 3.0pps
- Portfolio quality enhanced further
  - Non core asset disposal target achieved
  - 2012 developments completed to plan
  - London weighting increased to 50% (built out)
- Financial position strengthened
  - See through LTV reduced to 52%
  - Debt facilities extended and diversified
- Positive outlook
  - Supportive Government policy moves
  - 62% reservations for 2013/14
  - 19pps secured future development profit and good progress with LSAV pipeline
  - Rental growth expected in line with recent years

	31 Dec 2012	31 Dec 2011
Net Portfolio Contribution	**£19.1m**	£11.0m
Adjusted EPS	**9.9p**	2.6p
Adjusted NAV per share	**350p**	318p
Final dividend per share	**3.0p**	1.25p
Total return	**11.3%**	8.1%
See through LTV	**52%**	54%
Operations cashflow	**£17.2m**	£13.8m
Reservations*	**62%**	59%
Secured future development profit	**19pps**	25pps

* Reservations at 5 March

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STRATEGY AND MARKET

RENT AND OCCUPANCY OUTLOOK

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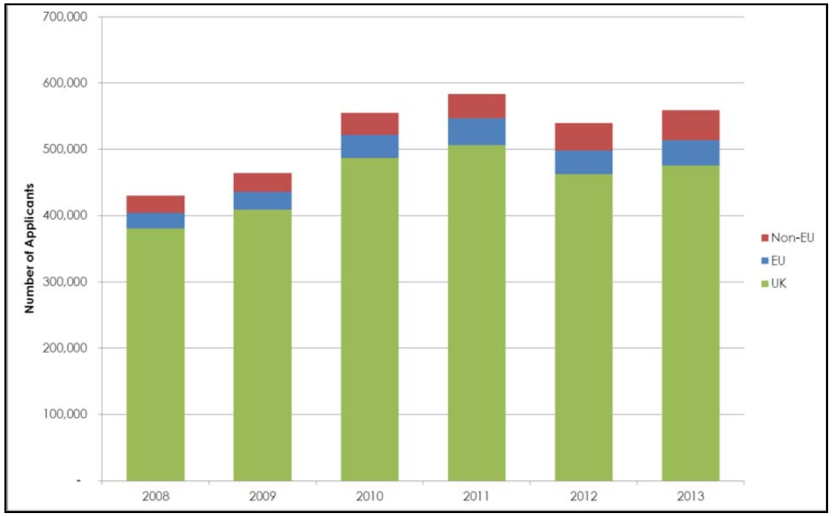
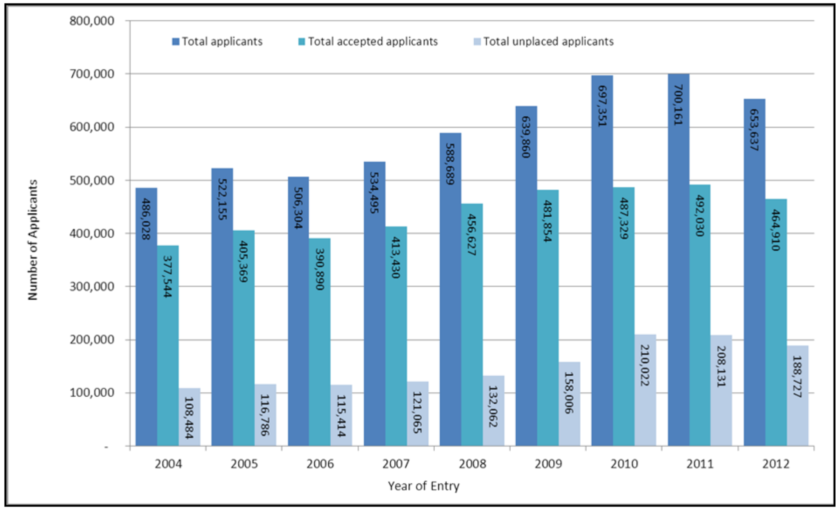
- Positive Government policy announcements support strong recovery in intake for 2013/14
  - More flexible admissions process
  - Deferrals returning to normalised levels
- Increase in applications illustrates underlying demand
  - 3.5% up year on year (UCAS Jan 13)
  - 18-19 year old participation at all time high
  - Non-EU applications up 9.6%
  - Likely to be >190,000 unplaced applicants (188,000 in 2012)
- Forecast 25,000-30,000 higher 2013/14 intake
  - Stronger Universities best placed to benefit
- Net demand/supply movement of c.+18,000
  - 9,500 new beds for 2013/14
- Rental growth prospects in line with recent years

UCAS applicants as at 15 Jan deadline



UCAS applications and acceptances



YIELD OUTLOOK

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- Average yields stable at 6.6%
  - Flat overall since late 2009
  - Yield range widening (now 200 bps)
- Liquidity continues to improve
  - £2.7bn transactions in 2013
- Investor appetite strongest for long University leases and London
  - Prospect of some yield compression in 2013
  - Weaker provincial locations likely to see some yield expansion
- UNITE well positioned
  - London weighting 50% on built out basis
  - £205m disposals since 2H11 supportive of valuation

Indicative stabilised yields

Asset type	Lease type	NI yield range	Trend
London	lease/noms*	5.35 – 5.6%	stronger
	direct let	6.0 – 6.25%	stable
Major provincial	lease/noms*	5.85 – 6.1%	stronger
	direct let	6.5 – 7.0%	stable
Provincial	lease/noms*	6.35 – 6.6%	stable
	direct let	7.1 – 7.35%	weaker

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

Built out portfolio breakdown

	Built out value £m	Built out %
Central London	352	24%
Zone 2 London	81	6%
Affordable London	290	20%
London	**723**	**50%**
Regions	717	50%
	1,440	**100%**

CONSISTENT STRATEGY

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Target low double-digit total returns on NAV, with modest risk

Development

- London focus
- Mix of product, price point and location
- 9% yield on cost target
- LSAV allows acceleration of London activity
- Interesting opportunities emerging in regions

Capital growth

- Focus on London and stronger Universities
- 50/50 London/regions split
- Branded service platform
- Consistent rental growth
- Leverage c.50% LTV

Income growth

- Rental growth
- New openings
- Operating efficiency (target 75% NOI margin by 2015)
- Target 4.5% EPS yield on NAV by 2015
- Dividend payout ratio of ⅓ NPC, >2.5x cash cover

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FINANCIAL REVIEW

FINANCIAL HIGHLIGHTS

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	2012	2011	Movement
Income			
Net Portfolio Contribution	**£19.1m**	£11.0m	+74%
Adjusted EPS (pre UMS for 2011)	**9.9p**	2.6p	+280%
Adjusted EPS yield on NAV	**3.1%**	0.9%	+244%
Dividend per share – full year	**4.0p**	1.75p	+128%
Balance Sheet			
NAV (adjusted, fully diluted per share)	**350p**	318p	+10%
Total return	**11.3%**	8.1%	+40%
See-through LTV	**52%**	54%	-2%
Cash flow			
Operating cashflow	**£17.2m**	£13.8m	+25%

ADJUSTED NAV BRIDGE – BALANCED RETURNS

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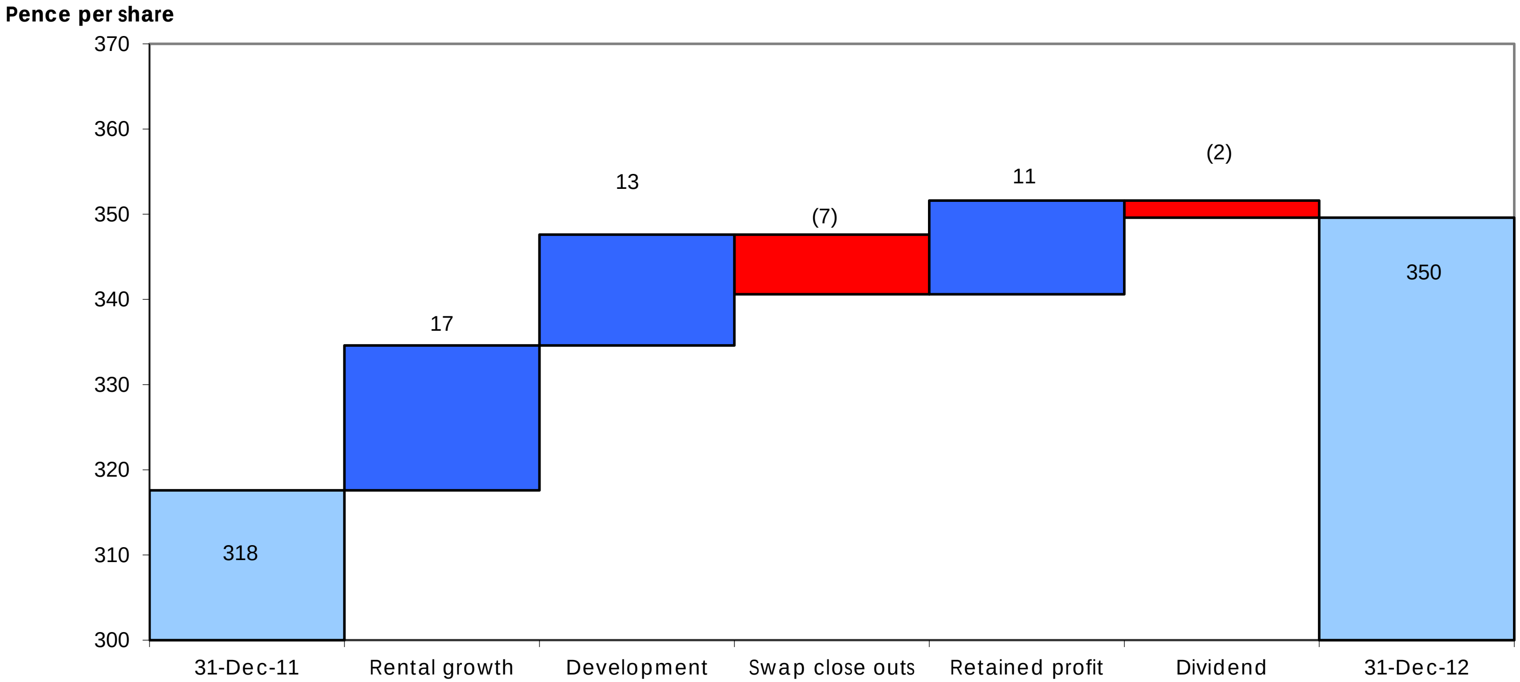

- Rental growth of 3% on completed portfolio
- Development profits: 40% of return, 12% of capital
- Swap close-outs associated with L&G facility and disposals
- Adjusted EPS yield of 3.1%

NET PORTFOLIO CONTRIBUTION AND ADJUSTED EARNINGS

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- NPC up 74% to £19.1m
  - 90% cash conversion
  - LFL rental growth of 3%
  - New openings
  - Cost efficiencies
- NOI margin increased to 71%
  - Further opportunities remain, particularly technology
  - Targeting 75% NOI margin by 2015
- Overheads less fees as % GAV reduced to 92 bps
  - Annualised savings impact in 2013
  - Increasing overhead efficiency target to 60 bps for 2015
- Greater visibility of EPS growth
  - Non-NPC items simplified
  - Target 4.5% adjusted EPS yield for 2015

	2012 £m	2011 £m
Total income	240.2	219.5
UNITE share of rental income	111.4	95.6
UNITE share of operating costs	(32.3)	(29.4)
UNITE's NOI	79.1	66.2
NOI margin	*71.0%*	*69.2%*
Fees from JVs	10.3	10.1
Overheads	(21.8)	(21.6)
Finance costs[1]	(48.5)	(43.7)
NPC	**19.1**	**11.0**
Development pre-contract costs	(2.7)	(3.3)
Landsbanki, restructuring, other	(0.5)	(3.6)
EPRA adjusted profit (pre UMS for 2011)	**15.9**	**4.1**
Adjusted EPS	9.9p	2.6p

[1] Finance costs include net interest of £35.7m and lease payments of £12.8m on sale and leaseback properties

SEE THROUGH BALANCE SHEET AND INCOME STATEMENT

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	Wholly owned £m	USAF / JVs (UNITE share) £m	**UNITE see through Dec 12 £m**	*UNITE see through Dec 11 £m*
Balance sheet				
Rental Properties	763	399	**1,162**	*1,017*
Properties under development	83	-	**83**	*189*
Total property portfolio	846	399	**1,245**	*1,206*
Net debt	(453)	(195)	**(648)**	*(646)*
Other assets/(liabilities)	(23)	(7)	**(30)**	*(46)*
Adjusted net assets	**370**	**197**	**567**	***514***
Adjusted LTV	*53%*	*49%*	*52%*	*54%*
Income statement			**2012**	*2011*
Net operating income	54.8	24.3	**79.1**	*66.2*
Overheads less management fees	(8.3)	(3.2)	**(11.5)**	*(11.5)*
Finance costs	(37.5)	(11.0)	**(48.5)**	*(43.7)*
Net Portfolio Contribution	**9.0**	**10.1**	**19.1**	***11.0***

CAPITAL STRUCTURE

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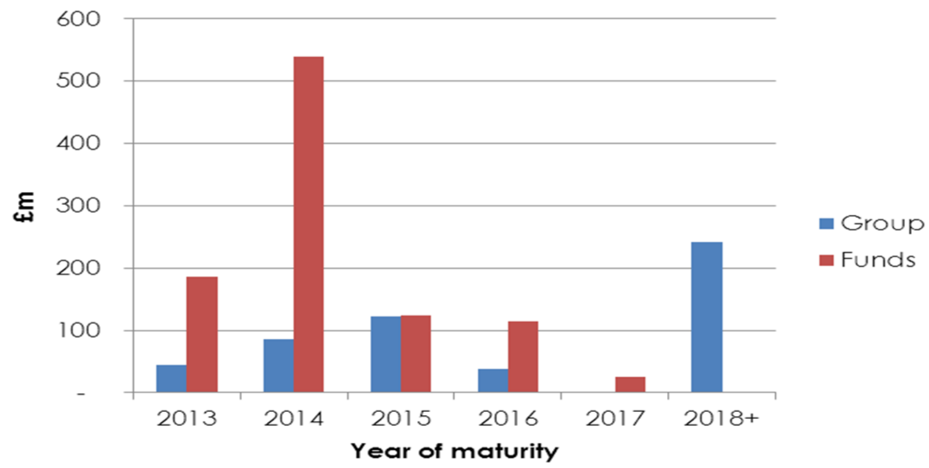
- Debt diversity, maturity and cost profile improved
  - 43% of debt from non-bank sources
  - WALM extended to 4.9 years
  - Average cost reduced to 5.5%
  - 16% unsecured
- 2013 priorities are in co-investment vehicles to address 2014 maturities
  - USAF CMBS replacement
  - UCC refinance
  - LSAV development finance
- Refinancing activity offers opportunity to reduce cost of debt
- On track for 50% see-through LTV by December 2013
  - Will continue to reduce steadily thereafter
- Swap close-out costs a small drag on NAV growth
  - 7 pps in 2012, likely 4-6pps in 2013

Key debt statistics

	2012	2011
Net debt:		
Balance sheet	£453m	£434m
See-through	£648m	£646m
See through LTV	52%	54%
Average see through cost of debt	5.5%	5.7%
WALM	4.9 years	2.6 years
Proportion non-bank debt	43%	26%

Debt maturity profile



ASSET DISPOSALS

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	2012		2011	
	Proceeds £m	Book value £m	Proceeds £m	Book value £m
Open market transactions				
Completed / exchanged				
Wholly owned	71	73	7	6
USAF	21	21	-	-
UCC	21	19	8	7
Total	113	113	15	13
Asset sales to JV Partners	77	77	-	-
Total	**190**	**190**	**15**	**13**
Average yield	6.4%	6.4%	6.4%	6.4%

- Disposal activity supportive of valuations
- Targeting c.£100m non-core disposals for 2013
  - £50-75m wholly owned
  - Legacy NHS properties a priority (value c.£25m)

CO-INVESTMENT VEHICLES

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- USAF stake remains core due to quality and diversification of portfolio and fee stream
  - £14m Landsbanki recovery in year
  - Refinancing of CMBS targeted in 2013
- GIC JVs extended and expanded in year
  - c.£100m disposals from UCC planned over next 3 years. UNITE to reinvest share of proceeds to grow UCC stake
  - LSAV progress encouraging
  - Likely UCC/LSAV merger by 2016 once stakes equalised
- OCB exit likely during 2013/14 academic year
  - UNITE intends to maintain stake and role subject to nature of new JV
  - Negative return attributable to London Zone 2 exposure
  - 12% compound annual return since inception

Summary financials

	USAF £m	UCC £m	LSAV £m	OCB £m
GAV	1,320	381	50	175
Borrowing / others	(595)	(223)	(24)	(109)
Adjusted NAV	**725**	**158**	**26**	**66**
Adjusted LTV	*43%*	*56%*	*44%*	*60%*
UNITE stake	*16%*	*30%*	*50%*	*25%*
2013 total return	*14%*	*15%*	*n/a*	*(14)%*
Maturity	Infinite	2022	2022	2014
UNITE fees in year	6.3	3.3	-	1.0

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OPERATIONAL REVIEW

OPERATIONS

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- Service and efficiency enhanced in 2012
  - NOI margin increased to 71% from 69%
  - Overheads less fees as % GAV reduced to 92bps (2011: 95bps)
  - Annualisation benefits to flow through in 2013
  - Balance of standardisation and flexibility key

- Clear strategic targets established for 2015
  - NOI margin of 75%
  - Overheads less fees as % GAV of 60bps

- Drivers of improvement: people, process and technology
  - Customer satisfaction and advocacy at all-time high
  - Improved operating platform established and embedded
  - Mobile technology enhancing efficiency and service

- 2013/14 sales performance encouraging
  - 62% reservations at 5th March (2011: 59%)
  - Online bookings up 16% year on year
  - Rental growth prospects in line with recent years

2012 DEVELOPMENT COMPLETIONS

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	Beds	Completed value £m	Total development cost £m	Total NAV uplift £m	Profit on cost %	Yield on cost %	Occupancy	Average weekly rent £
London								
Waterloo Road	146	22	15	7	47%	9.5%	100%	225
Moonraker Point	674	110	76	34	45%	9.0%	100%	205
North Lodge	528	46	30	16	53%	11.2%	97%	158
	1,348	178	121	57	47%	9.9%	99%	
Regions								
Kelvin Court, Glasgow	477	31	26	5	19%	8.0%	98%	108
Total	1,825	209	147	62	42%	9.3%	98%	

- 2012 programme has driven strong returns
  - 42% profit on cost
  - 9.3% yield on cost
- Approximately 33% of NAV uplift realised through sales to co-investment vehicles

DEVELOPMENT OUTLOOK

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Development pipeline	Beds	Completed value £m	TDC £m	Capex in period £m	Capex remaining £m	NAV remaining £m	Yield on cost
Wholly owned							
London							
St Pancras Way, Camden (2014)	563	82	59	6	43	12	9.5%
Stratford City, Stratford (2014)	951	83	62	30	27	6	9.1%
	1,514	165	121	36	70	18	9.3%
Regions							
Trenchard Street, Bristol (2015)	442	32	22	-	22	4	10.4%
Total wholly owned	1,956	197	143	36	92	22	9.5%
LSAV							
Angel Lane, Stratford (2015)	759	81	62	-	62	19	9.1%
UNITE share of LSAV		40	31		31	9	9.1%
Total UNITE share		237	174	-	123	31	9.3%

- Good progress with LSAV London pipeline
  - 950 further beds under lock-out
  - 40% of target pipeline secured/lock out
  - Opportunities remain but need to be highly selective
  - On track for c.£60m pa capex commitment to LSAV
- Interesting regional opportunities emerging
  - Trenchard Street secured at 10.4% yield
  - Other opportunities at similar levels
  - Characteristics – thriving University, healthy local economy
  - c.£30m pa investment planned in regional development. Highly selective.

SUMMARY AND OUTLOOK

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UNITE

- Strong financial and operating performance
  - 11.3% total return
  - 3.1% EPS yield on NAV
  - Growth in earnings, NAV and dividend
- Portfolio quality and capital structure improved further
  - GIC JVs extended and expanded
  - Debt diversity, maturity and cost profiles enhanced
  - London 50% on built out basis
- Positive outlook
  - Supportive Government policy developments
  - 62% reservations at 5th March, supportive of rental growth in line with recent years
  - 19pps future development profit secured
  - Further accretive development opportunities remain
- Clear strategic targets
  - Average low double digit total return on NAV
  - EPS yield of 4.5% on NAV by 2015

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APPENDICES

UK STUDENT ACCOMMODATION MARKET

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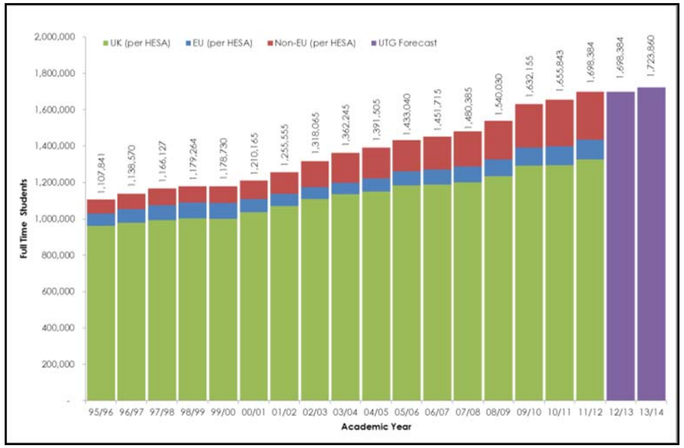
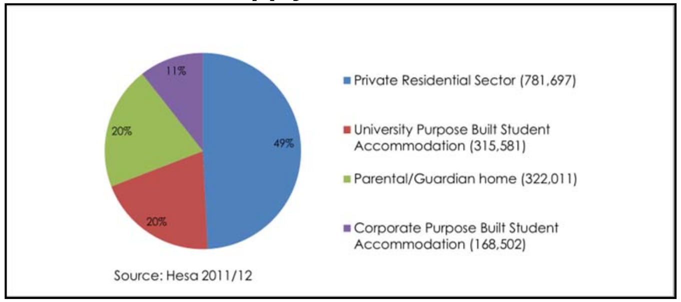
- Student numbers have doubled since 1991
  - Driven by government policy, demographics, global mobility
  - >188,000 more applicants than places for 2012/13
  - Variations at city/university level
- UK attractive to global students
  - 52% of UNITE customers non-UK
  - Global trend for studying abroad
  - 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

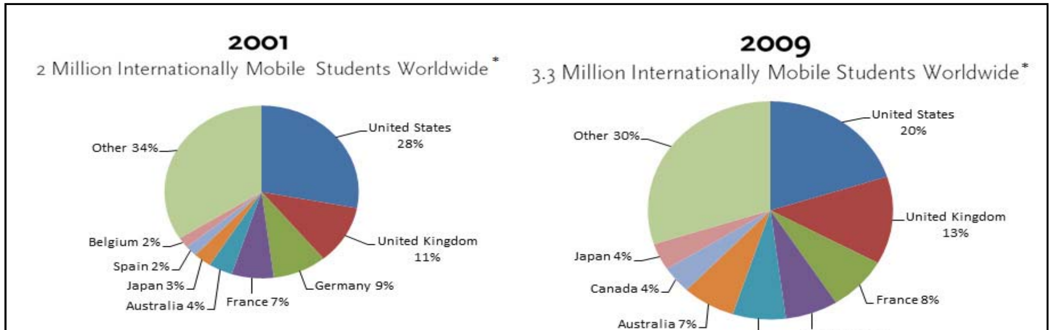
Full time student numbers growth



Supply Breakdown



International student mobility



Source: Education at a Glance, OECD, Paris (2010)

PRODUCT AND SERVICE OFFERING

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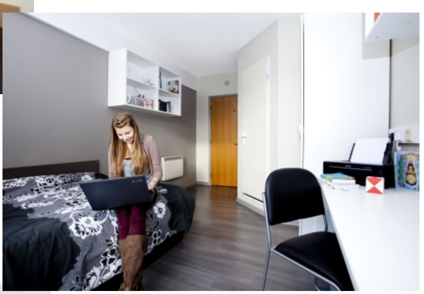
- All-inclusive pricing
  - All utilities and services
  - Wi-Fi across our portfolio for September 2013
  - 24/7 customer service
  - Transparency and certainty
- City centre locations
  - Close to university campuses
  - Flat-shares and studios
  - Range of products and price points
  - Good transport 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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- 2000 - 2006 : First mover advantage
  - Rapid national expansion
  - Development led
  - High quality sites secured
  - Financial and operational stretch
- 2006 - 2009 : Operational and financial consolidation
  - Co-investment model established to diversify capital base
  - Operational change programme implemented
  - Development programme scaled back
- 2009 - date : Managed growth
  - Growing recurring cash flows
  - London focus
  - Sustainable capital structure
  - Brand differentiation

SEE-THROUGH BALANCE SHEET AND INCOME STATEMENT

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UNITE

	Group £m	USAF £m	UCC £m	LSAV £m	OCB £m	**Total £m**
Balance sheet at 31 Dec 2012						
Rental Properties	763	217	114	25	43	**1,162**
Properties under development	83	-	-	-	-	**83**
Net debt	(453)	(94)	(64)	(11)	(26)	**(648)**
Other assets/(liabilities)	(23)	(3)	(3)	(1)	-	**(30)**
Net Assets	**370**	**120**	**47**	**13**	**17**	**567**
Income statement						
Rental income	79.4	18.8	9.4	0.3	3.3	**111.4**
Costs	(24.6)	(5.5)	(1.5)	-	(0.6)	**(32.3)**
Net operating income	54.8	13.3	7.9	0.3	2.7	**79.1**
Management fees	13.2	(1.4)	(1.2)	-	(0.3)	**10.3**
Operating/corporate expenses	(21.5)	(0.1)	-	(0.1)	(0.1)	**(21.8)**
Finance costs	(37.6)	(5.3)	(3.8)	(0.1)	(1.7)	**(48.5)**
Net portfolio contribution	9.0	6.4	2.9	0.1	0.6	**19.1**
Bed numbers	**15,351***	**21,835**	**2,601**	**528**	**1,128**	**41,443**

*includes 4,192 leased beds

OUR TOP 10 MARKETS

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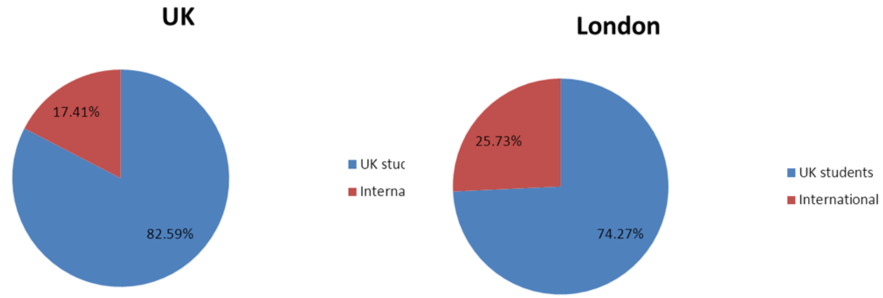
2013 Rank	2012 Rank	City	Completed Beds (13/14)	Completed Beds (12/13)	FT Student Numbers (11/12)	Projected Market Share
1	1	London	7,712	8,074	292,734	2.8%
2	2	Sheffield	3,731	3,731	48,632	7.7%
3	3	Liverpool	3,372	3,372	42,911	7.9%
4	4	Leeds	3,138	3,138	53,402	5.9%
5	5	Bristol	2,858	2,858	38,942	7.3%
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%
			30,216	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

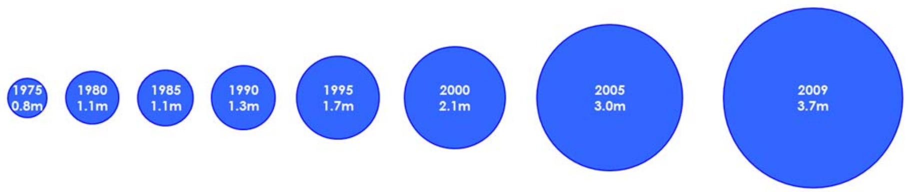
- UNITE has built a substantial London student accommodation business in recent years.
  - For academic year 2012/13 UNITE will operate over 8,000 bed spaces in London

Proportion of International Students HESA 11/12 – All Students

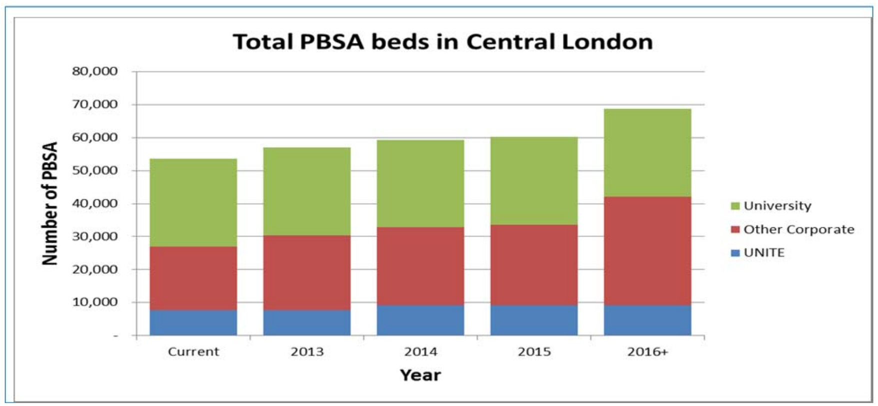


Long-term growth in the number of students enrolled outside their country of citizenship

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



Source: OECD and UNESCO Institute for Statistics.



DEBT FACILITIES

On-balance sheet

	Facility Amount	Drawn	Maturity
Investment	£m	£m	
Legal + General	121	121	2022
Nationwide	100	22	2014
Unsecured retail bond	90	90	2020
HSH / NAB	64	64	2014
Barclays	57	57	2015
Kennedy Wilson LP	45	45	2013
HSBC	38	38	2017
BNP Paribas	39	39	2016
RBS	28	28	2015
Others	31	31	2012-22
	613	535	
Development			
RBS	54	-	2016
HSBC	49	-	2017
Total	103	-	
Investment & Development	716	535	

Co-investment vehicles

USAF	Facility £m	Drawn £m	Maturity
HSH / Abbey	105	105	2013
CMBS	280	280	2014
Santander	63	50	2015
HSBC	75	75	2015
Lloyds	115	115	2016
	638	625	
UCC			
Syndicated facility*	330	227	2014
LSAV			
UOB	25	25	2017
OCB			
RBS	31	31	2013
HSH	50	50	2013
Nationwide	32	32	2014
	113	113	

*Syndicated facility provided by BNP Paribas (33%), OCBC (30%), HSH (25%)

CO-INVESTMENT VEHICLES – KEY TERMS

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	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:	▪ UK direct let student accommodation ▪ Exclusivity over UNITE pipeline	▪ London & Edinburgh focus	▪ London focus ▪ Build a £400m+ portfolio ▪ Development led	▪ Build and operate 3 London assets
Capitalisation:	▪ £1.25bn ▪ 50-60% LTV	▪ £380m GAV ▪ 50-60% LTV	▪ Target £400m of GAV ▪ 50% LTV	▪ £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

NNNAV

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	Dec 2012 £m	Dec 2011 £m	Dec 2010 £m
Net assets	**516**	388	387
Valuation gains not recognised on properties held at cost	**19**	76	37
Fair value of fixed rate debt	**(12)**	(5)	(6)
Deferred tax	**-**	-	-
NNNAssets	**523**	459	418
NNNAV per share	**326pps**	286pps	261pps