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Unite Group PLC (The)
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PRESS RELEASE

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THE UNITE GROUP PLC

('Unite Students', the 'Group', or the 'Company')

TRADING UPDATE AND Q4 FUND VALUATIONS

STRONG DEMAND WITH RECORD RESERVATIONS AND STABLE PROPERTY VALUES

Unite Students, the UK's leading owner, manager and developer of student accommodation, today announces an update on current trading and quarterly property valuations for the Unite UK Student Accommodation Fund ('USAF') and the London Student Accommodation Joint Venture ('LSAV') as at 31 December 2023.

Highlights

- Continued strong demand with 71% of beds sold for the 2024/25 academic year (2023/24: 70%)
- Confident in delivering rental growth of at least 5% for 2024/25 academic year
- Guidance maintained for 2023 adjusted EPS at the upper end of 43-44p range
- Property values broadly stable in Q4 (USAF: +2.1%, LSAV -0.7%)

Joe Lister, Unite Students Chief Executive Officer, commented:
"We have seen a strong start to the 2024/25 sales cycle, reflecting the continued appeal of our fixed-priced, all-inclusive offer. The letting performance highlights the ongoing strength of demand from students and universities and underpins a positive outlook for rental growth for the 2024/25 academic year.

"We will continue to play a leading role in increasing the supply of much needed student accommodation at a time when HMO landlords are leaving the market at pace and the new supply of purpose-built student accommodation slows. We are committed to working closely with our university partners to ensure students have access to high quality, affordable accommodation."

Current trading

2023 earnings guidance
Higher than expected rental income in term 1 of the 2023/24 academic year has offset the impact of higher operating costs in the second half of the financial year. As a result, we maintain our previous guidance for adjusted EPS at the upper end of our 43-44p range.

2024/25 lettings performance
Demand for the Group's accommodation has again been strong, reflecting the continuing shortage of high-quality student accommodation. Across the Group's portfolio, 71% of rooms are now reserved for the 2024/25 academic year, in-line with the record levels seen last year (2023/24: 70%). We have been encouraged by particularly strong demand from university partners with 4,000 extra beds reserved compared to the same stage of the 2023/24 sales cycle.

The ongoing strength of student demand increases our confidence in delivering at least 5% rental growth in the 2024/25 academic year sales cycle. We are mindful of cost-of-living pressures for students and parents and remain focussed on offering value-for-money accommodation, while also delivering sustainable rental growth to mitigate margin pressure from rising staff and utility costs and to support significant ongoing investment into our properties.

Property update
We are now on site with four development schemes in London, Bristol, Edinburgh and Nottingham, totalling 2,000 beds, for delivery between 2024 and 2026. In addition, our Meridian Square project in London is expected to go to planning committee in late January and remains on track for delivery for the 2027/28 academic year.

We are tracking further development opportunities in London and strong regional markets at attractive returns and expect to add to our pipeline in H1 2024.

We continue to recycle capital to improve our portfolio quality and provide funding for reinvestment in new growth opportunities. Our disposal activity is progressing well and we expect to dispose of £150-200 million of regional assets in H1 2024 (Unite share: £75-100 million).

Building safety

We completed cladding remediation works on 16 buildings across the estate in 2023. As previously guided, the Group continues to prioritise projects based on our external risk assessments and will make provisions for remediation costs on a further 10 buildings at 31 December 2023, the cost of which will be incurred over the next 12-18 months.

We recently reached agreement with a contractor to recover 75% of our remediation costs relating to five buildings, a portion of which will be recognised in the Group's year-end balance sheet. We ultimately expect to recover 50-75% of total cladding remediation costs through claims from contractors, although the settlement and recognition of these claims is likely to lag costs incurred to remediate buildings. This will result in a greater level of net spend in the earlier years of the programme.

Net of amounts recognised under claims, the Group expects to incur an additional c.£69 million provision (Unite share: c.£26 million) in the second half of 2023.

Quarterly fund valuations

At 31 December 2023, USAF's property portfolio was independently valued at £2,992 million, a 2.1% increase on a like-for-like basis during the quarter. The valuation increase in USAF is driven by quarterly rental growth of 2.8% and a 3 basis point increase in property yields to 5.3%. Over the past 12 months, valuation growth of 3.6% was driven by rental growth more than offsetting 21 basis points of yield expansion. The portfolio comprises 27,922 beds in 71 properties across 19 university towns and cities in the UK.

LSAV's property portfolio was independently valued at £1,922 million, a 0.7% decline on a like-for-like basis during the quarter. The valuation decrease in LSAV is driven by quarterly rental growth of 2.5% and a 15 basis point increase in property yields to 4.5%. Over the past 12 months, the valuation is unchanged with rental growth offsetting 39 basis points of yield expansion. LSAV's investment portfolio comprises 9,716 beds across 14 properties in London and Aston Student Village in Birmingham.

The weaker valuation performance for LSAV in Q4 reflects its higher London weighting when compared to USAF (85% and 14% by value respectively), where greater increases in property yields have had a more significant negative impact on valuations. We expect the valuation of our wholly owned portfolio at 31 December 2023, which is 33% weighted to London by value, to be broadly stable over H2.

		Drivers of LfL capital growth (Q4)			
	Valuation Dec 2023	**Rental growth**	**Yield movement**	**Other**	**Total**
USAF	£2,992m	2.8%	(0.6%)	(0.1%)	2.1%
LSAV	£1,922m	2.5%	(3.4%)	0.2%	(0.7%)

	LfL valuation movement		
	H1	**H2**	**FY2023**
USAF	1.2%	2.3%	3.6%
LSAV	0.9%	(1.0%)	0.0%

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About Unite Students

Unite Students is the UK's largest owner, manager and developer of purpose-built student accommodation (PBSA) serving the country's world-leading higher education sector. We provide homes to 70,000 students across 157 properties in 23 leading university towns and cities. We currently partner with over 60 universities across the UK.

Our people are driven by a common purpose: to provide a 'Home for Success' for the students who live with us. Unite Students' accommodation is safe and secure, high quality, and affordable. Students live predominantly in en-suite study bedrooms with rents covering all bills, insurance, 24-hour security and high-speed Wi-Fi. We also achieved a five-star British Safety Council rating in our last audit.

We are committed to raising standards in the student accommodation sector for our customers, investors and employees. This is why our Sustainability Strategy, launched in 2021, includes a commitment to become net zero carbon across our operations and developments by 2030.

Founded in 1991 in Bristol, the Unite Group is an award-winning Real Estate Investment Trust (REIT), listed on the London Stock Exchange. For more information, visit Unite Group's corporate website www.unitegroup.com or the Unite Students' site www.unitestudents.com

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