

PRESS RELEASE

8 October 2024

THE UNITE GROUP PLC

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

TRADING UPDATE AND Q3 FUND VALUATIONS

STRONG RENTAL GROWTH DRIVING 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 30 September 2024.

Highlights

- Like-for-like rental growth of 8.2% and occupancy of 97.5% for the 2024/25 academic year
- Rental growth underpinning Q3 valuation increases (USAF: 1.5%, LSAV 1.6%), and year to date (USAF: 4.4%, LSAV 5.3%)
- Guidance reiterated for adjusted EPS at upper end of 45.5-46.5p for FY2024
- Expect 4-5% rental growth for the 2025/26 academic year

Joe Lister, Unite Students Chief Executive Officer, commented:

"We have delivered a strong lettings performance for the 2024/25 academic year, underpinned by our alignment to the UK's strongest universities and high-quality nomination agreements. The outlook for the business is positive with strong student demand at a time of limited new supply and ongoing investment into our portfolio and platform. This supports rental growth of 4-5% for the 2025/26 academic year.

"We have made good progress with the delivery of our record development pipeline and deploying the proceeds of our recent capital raise. These projects will deliver much needed new student homes in some of the UK's strongest university cities and help to ease wider housing shortages."

Current trading

Student numbers

The sector has continued to see strong demand for university places for the 2024/25 academic year, albeit normalising after the exceptional sales cycle in 2023/24. This has been characterised by record demand from UK school leavers and resilient international demand in the face of changes to visa policy over the past year.

Undergraduate acceptances for UK 18-year-olds, our core customer demographic, are up 3% YoY to record levels, driven by population growth and an increased acceptance rate. Acceptances for international undergraduates through UCAS are broadly flat YoY (-0.6%) but postgraduate international recruitment has been negatively impacted by the removal of visas for family members of students, which came into effect at the start of 2024. We expect the visa change to most significantly impact lower-tariff institutions, particularly those with a high dependence on students from Nigeria and India. The Migration Advisory Committee report in May recommended no change to the Graduate Route visa for international students, which the previous Government accepted ahead of the election.

We have continued to see strongest student number growth for the high-tariff universities to which our portfolio is substantially aligned. Undergraduate acceptances for high-tariff universities increased by 8% YoY, compared to reductions of 1% and 4% for medium and lower-tariff universities respectively.

2024/25 lettings performance

Occupancy across our portfolio is 97.5% for the 2024/25 academic year (2023/24: 99.3%), in-line with its long-term trend. This remains underpinned by demand from our university partners through nomination agreements, which have increased to 57% of our portfolio (2023/24: 53%). We have secured four new multi-year agreements with Russell Group partners starting in 2024/25 for over 2,500 beds.

This lettings performance translates to like-for-like rental growth of 8.2% for the 2024/25 academic year (2023/24: 7.4%). This

growth will be enhanced by the delivery of £39 million (Unit share: £32 million) of asset management projects in strong markets at a 10% yield on cost.

We remain confident in delivering adjusted EPS at the upper end of the 45.5-46.5p range for FY2024.

2025/26 outlook

There is a positive outlook for the 2025/26 academic year. Demographic growth supports strong demand from UK students and we are encouraged by the positive tone of the new Government towards international student recruitment, ending a period of policy uncertainty. Other competing student destinations, including Australia and Canada, have recently introduced caps for international student numbers as part of tighter visa rules, which we expect to add to the relative attractiveness of the UK as a place to study.

Supply of student accommodation remains constrained with development completions for PBSA at around half of their pre-pandemic levels and a shrinking supply of HMOs in our markets. Rental growth will also be enhanced by the capture of reversion on long-term nomination agreements and income-enhancing asset management initiatives. Together, this supports rental growth of 4-5% for the 2025/26 academic year.

Investment and development activity

We have made good progress in deploying the proceeds of our recent £450 million equity raise, in line with our investment targets. Our committed development pipeline is fully funded and will see delivery of an additional 4,600 beds between 2025 and 2028 at a total cost of £913 million.

We are in the advanced stages of the property acquisitions from USAF, to be part-funded by disposals to USAF, with the transaction expected to complete in the coming weeks.

A planning application for our Newcastle University joint venture was submitted in the Summer and we expect the application to go to committee later this year.

We are on site at our Freestone Island development in Bristol and anticipate acquiring the land for our Central Quay development in Glasgow in Q4 2024. At Kings Place in London, we are clearing the site ahead of demolition.

The Building Safety Act (BSA), which addresses the safety of new residential accommodation, recently came into effect, adding three approval gateways to the design, construction and occupation of new residential buildings. Our development programmes reflect the expected impact of the BSA, which will add around six months to delivery timelines for new student accommodation. As with any new regulation, this presents risks of delay due to capacity constraints at the Building Safety Regulator (BSR). We will continue to work closely with the BSR to deliver safe and secure homes for students in line with our target delivery timetable.

We are progressing further opportunities for development, university partnerships and acquisitions in London and prime regional markets at attractive returns. We expect to add to our pipeline during the fourth quarter.

Quarterly fund valuations

At 30 September 2024, USAF's property portfolio was independently valued at £2,983 million, a 1.5% increase on a like-for-like basis during the quarter and 4.4% in the year to date. The valuation increase reflects quarterly rental growth of 1.9%. Property yields increased by 1 basis point over the quarter to 5.2%. The portfolio comprises 25,602 beds in 66 properties across 19 university towns and cities in the UK.

LSAV's property portfolio was independently valued at £2,039 million, a 1.6% increase on a like-for-like basis during the quarter and 5.3% in the year to date. The valuation increase in LSAV is driven by quarterly rental growth of 2.5%. Property yields increased by 1 basis point over the quarter to 4.5%. LSAV's portfolio comprises 9,710 beds across 14 properties in London and Aston Student Village in Birmingham.

Drivers of LfL capital growth (Q3)				
	Valuation	Rental growth	Yield movement	Capital growth*
	September 2024		(bps)	
USAF	£2,983m	1.9%	+1	1.5%
LSAV	£2,039m	2.5%	+1	1.6%

Drivers of LfL capital growth (YTD)					
	Valuation	Rental growth	Loss of Multiple Dwelling Relief	Yield movement	Capital growth*
	September 2024			(bps)	
USAF	£2,983m	7.1%	(2.0%)	-	4.4%
LSAV	£2,039m	6.8%	(0.3%)	+1	5.3%

** Capital growth presented net of capital expenditure for property maintenance and improvement, but excludes fire safety spend*

Fire safety update

Fire safety is a critical part of our health and safety strategy, and we have a track record of leading the sector on fire safety standards through our proactive approach. In line with government regulations, we are progressing cladding remediation across the estate with 13 active projects during 2024. We continue to prioritise projects based on our external risk assessments and, having completed detailed surveys, expect to undertake works on 12 further properties in 2025.

In the quarter, we have successfully concluded a claim against a contractor for £18 million (Unite share: £18 million), recovering substantially all the costs of the project, which takes successful claims in the year to date to £24 million (Unite share: £21 million). We expect that 50-75% of our remediation costs will ultimately be recoverable, although no provision has been made for future recoveries in our balance sheet.

Net of amounts recovered through claims, we expect to recognise total fire safety provisions of c.£30-40 million (Unite share) in 2024.

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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 68,000 students across 152 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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