CHIEF EXECUTIVE'S REVIEW

RESILIENCE AND FLEXIBILITY

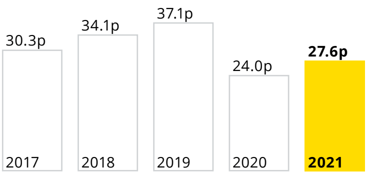
During the Covid-19 pandemic we prioritised working with our University partners to support students

"The business has seen a strong recovery in performance in 2021. We are well positioned for growth due to our alignment to the strongest universities, an enhanced reputation thanks to our supportive actions during the pandemic, and our best-in-class operating platform."

Richard Smith
Chief Executive Officer

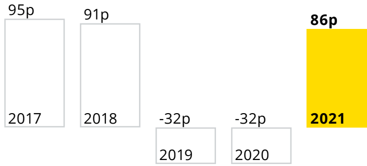
The business has delivered a strong performance in 2021, despite the ongoing challenges presented by the Covid-19 pandemic. We have once again proven the quality and resilience of our operating platform, with all properties remaining open during national lockdowns at the start of the year, as they did throughout 2020. This reflects the commitment of our teams as well as the value of our best in class operating platform, PRISM, which allowed us to quickly adapt to the changing circumstances.

As a business, we are committed to acting responsibly and 'Doing what's right'. This principle has shaped our response to the pandemic and led to the further rental discounts and complimentary tenancy extensions offered to students unable to use their accommodation at the start of 2021. We have increased the support offered to students and our employees



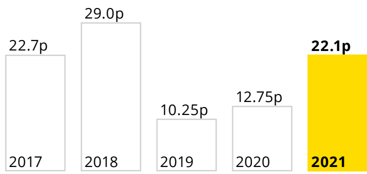
ADJUSTED EARNINGS PER SHARE[1,2] (P)

27.6p



IFRS BASIC EARNINGS PER SHARE (P)

86p



DIVIDEND PER SHARE (P)

22.1p

to ensure their health, safety and wellbeing. We believe these actions have enhanced our reputation with students, parents, universities and Government and will create further opportunities in the future.

Return to growth

The business delivered a strong recovery in financial performance in 2021 with adjusted earnings of £110.1 million and adjusted EPS of 27.6p, up 15% year-on-year. This reflects an increase in occupancy to 94% for the 2021/22 academic year (2020/21: 88%) and a lower impact from rental discounts when compared to 2020. The profit before tax of £343.1 million also reflects the valuation growth of our property portfolio during the year. We have announced a dividend of 22.1 p for the full year, which represents a payout ratio of 80% of adjusted EPS, underlining our confidence in future business performance. Total accounting returns for the year improved to 10.2%, reflecting an 8% increase in EPRA NTA to 882p. Our LTV ratio reduced to 29% during the year through revaluation gains, disposal proceeds and receipt of our LSAV performance fee. This provides the financial headroom to deliver our secured development pipeline and pursue new growth opportunities. Our key financial performance indicators are set out in the table below.

Continued support for students and universities

Since the outbreak of Covid-19, we have strived to play our part and do the right thing for our students and University partners in a fair and proportionate way. In response to the national lockdown announced in January 2021, students not living in their accommodation were able to apply for a ten-week rental discount and four-week complimentary tenancy extension.

We have now provided over £100 million in financial support to students during the Covid-19 pandemic through a combination of rent waivers and flexibility offered to students. We believe this is the largest package of financial support offered in the Higher Education sector and reflects our commitment to show leadership in the sector as well as encouraging others to act accordingly.

All our properties remained, and continue to remain, open and operational, employing a range of measures to reduce transmission of Covid-19 where possible. With the removal of the remaining restrictions during the fourth quarter of 2022, students will be able to enjoy the full experience of university life.

Financial highlights[1]	2021	2020
Adjusted earnings	£110.1m	£91.6m
Adjusted EPS	27.6p	24.0p
IFRS profit/(loss) before tax	£343.1m	£(120.1)m
IFRS basic EPS	85.9p	(31.8)p
Dividend per share	22.1p	12.75p
Adjusted EPS yield	3.4%	2.8%
Total accounting return	10.2%	(3.4)%
EPRA NTA per share	882p	818p
IFRS net assets per share	880p	809p
Loan to value	29%	34%

1. See glossary for definitions and note 8 for alternative performance measure calculations and reconciliations. A reconciliation of profit/loss before tax to EPRA earnings and adjusted earnings is set out in note 8 of the financial statements.

Positive outlook for 2022/23

We see strong demand for accommodation this autumn, with UCAS applications up 7% on pre-pandemic levels. Reservations for the 2022/23 academic year are encouraging at 67%, which is ahead of the prior year level of 60%. This is underpinned by the 50% of beds secured under nomination agreements for an average term of seven years. We expect bookings under nomination agreements to grow as a percentage of bookings by the end of the current annual sales cycle and to increase to 55% of total beds over the next two academic years. This reflects the opportunity to deepen relationships with our existing University partners.

We have recently secured new multi-year agreements to let 1,000 beds to two Russell Group universities from the 2022/23 academic year. We expect strong student demand for 2022/23 from both domestic and international students. We have maintained our focus on retaining existing direct-let customers, which has led to an increased share of sales to re-bookers. The attractiveness of PBSA over HMO is being clearly proven.

This supports our anticipated return to 97% occupancy and 3.0–3.5% rental growth for the 2022/23 academic year.

1. The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The Group uses alternative performance measures (APMs), which are not defined or specified under IFRS. These APMs, which are not considered to be a substitute for IFRS measures, provide additional helpful information and are based on the European Public Real Estate Association (EPRA) best practice recommendations. The metrics are also used internally to measure and manage the business and to align to the performance related conditions for Directors' remuneration. See glossary for definitions and note 8 for calculations and reconciliations.
2. Adjustment made to EPRA EPS to remove the impact of the LSAV performance fee. Further details are provided in notes 2 and 8.

CHIEF EXECUTIVE'S REVIEW continued

HOME FOR SUCCESS

OUR STRATEGIC OBJECTIVES

- DELIVERING FOR OUR CUSTOMERS AND UNIVERSITIES
- ATTRACTIVE RETURNS FOR SHAREHOLDERS
- A RESPONSIBLE AND RESILIENT BUSINESS

Strategic overview

Having shown real resilience during the pandemic, the business is now positioned for growth. Our best-in-class operating platform provides us with strong foundations to adapt to evolving student needs and deliver an enhanced customer experience. There are also significant opportunities to invest in our well-located and affordable estate to drive rental growth and improve the environmental performance of our buildings.

Our strategy is focused on three key objectives, which will deliver value for our range of stakeholders:

- **Delivering for our customers and universities** – Our purpose is to deliver a Home for Success for our customers by delivering a highly valued experience during their time with us. We will also support our University partners to deliver their accommodation needs and future growth ambitions
- **Attractive returns for shareholders** – Delivered through a combination of growing recurring income, rental growth and value-add through our development activities, supported by a robust and flexible balance sheet
- **A responsible and resilient business** – We are committed to doing what's right by raising standards for our customers, investors and employees to ensure we build on our sector-leading position in the student housing sector

Delivering for our customers and universities

We have a best-in-class operating platform in the student accommodation sector, underpinned by our PRISM technology platform, passionate front-line teams and sector-leading welfare and support. However, we recognise that student expectations are evolving with higher expectations for rooms, social spaces, amenities and technology. In response, we are investing in the next generation of our PRISM technology platform to enable the seamless digital experience expected by students and to further improve our sector-leading efficiency.

We also see an opportunity to tailor our customer offer to better meet the needs of different segments in the student market. We are already successful in catering to undergraduate 1st-year students, as reflected in the large number of beds let to universities under nomination agreements. We also see opportunities to tailor our customer proposition to better meet the needs of non-1st-year students seeking greater independence as well as an postgraduate and international students who may be willing to pay a premium for a higher level of service.

In 2021, we conducted successful trials of a postgraduate-focused customer offer at seven properties, which delivered increases in rental income and net promoter scores. As a result, we have increased our product and service segmentation for postgraduates for the 2022/23 sales cycle.

These initiatives will enhance student experience, increase customer retention and support higher operating margins over time. Improving our hassle-free, value-for-money offer will also help us capture market share from the one million students currently living in houses of multiple occupancy (HMOs). We are already seeing success in this area, with direct-let sales to UK students for 2021/22 up 33% on pre-pandemic levels and a meaningful increase in re-booking activity for 2022/23.

We remain convinced in the opportunity for strategic partnerships with universities to meet their long-term accommodation needs. The pandemic has increased the operational and financial challenges faced by universities and there is a growing appetite for partnerships with leading operators of student accommodation. This is reflected in over 80% of our development pipeline by value being underpinned by University partnerships. For developments completing in 2022, 78% are let under nomination agreements for an average of nine years. We also see further opportunities to capitalise on our brand and the goodwill created by our response to Covid-19 to accelerate and enhance our pipeline of University partnerships through traditional off-campus development, on-campus development or stock transfer.

Attractive returns for shareholders

The quality, location and scale of our portfolio is a key component of our business model and long-term strategy. We are focused on growing our alignment to the strongest universities seeing the greatest student number growth, reflected in the 90% of our rental portfolio and 100% of our development pipeline being located in Russell Group cities. We expect our portfolio to become more concentrated towards the strongest markets over time with our weighting to London increasing from 35% to 44% on a Unite share basis through delivery of our development pipeline.

Over the past 12 months, we have sold £261 million of assets to enhance our overall portfolio quality and fund reinvestment into the improvement of our estate. These proactive sales have reduced our footprint from 27 to 25 markets and largely completed the disposals of non-strategic assets identified following our acquisition of Liberty Living in 2019.

Our development capability and track record is a major differentiator in the student accommodation sector. This, combined with our strong reputation and relationships with universities, supports our future growth through development and new University partnerships. Our new investments are focused on 8–10 cities, including London and prime regional markets with the strongest demand outlook. Our development pipeline is now at a record level, totalling 6,000 beds and £967 million in total development cost. This is expected to deliver 10p of upside to EPRA EPS and generate an NTA uplift of 78p on completion. We continue to see a positive flow of development opportunities and expect to add further schemes to the pipeline during 2022.

Our portfolio activity supports our target to deliver sustainable rental growth of 3.0–3.5% p.a. and significant future growth in recurring earnings. Together with the combination made by our development activities, this underpins our target for total accounting returns of 8.5–10% p.a.

A responsible and resilient business

Our new Sustainability Strategy was launched in March 2021, building on our existing work to reduce our environmental impact and improve student outcomes. Reflecting the expectations of our stakeholders, our targets are now more ambitious, as reflected by our net zero carbon commitment by 2030. We recently published our Net Zero Carbon Pathway, including targets validated by the SBTi, which sets out the activities and investment required to reach net zero for both our operations and development activities.

We are increasing our investment in energy efficiency initiatives to reduce consumption, save carbon and ensure ongoing compliance with regulations, such as energy performance certificate minimum standards. We invested £3 million in these initiatives in 2021, taking our total investment to over £30 million since 2014. We have identified a further c.£100 million of opportunities for capital investment to help us achieve our environmental targets, which equates to an annual investment of c.£10 million from 2022 onwards (£5–7 million p.a. at Unite share). As well as being the right thing to do, there is also a strong business case for this investment with a payback of under 10 years through operating cost savings.

A best in-class student experience

CLASS OF 2021

Students arriving at university in 2021 experienced significant disruption to their studies due to the pandemic. As a result, we didn't want to assume their needs would be the same as previous cohorts

In response, we hosted roundtables with students and conducted a survey with applicants, which was used to compare responses with surveys from 2019 and 2017.

The results flagged preparedness for university and student wellbeing as key issues. There was also greater desire from students for support to build communities in their accommodation. These findings helped inform our student welcome materials and events for the 2021/22 academic year.

For more about this project, go online to:
unite-group.co.uk/partnerships/insights

CHIEF EXECUTIVE'S REVIEW continued

We have a strong track record in delivering positive social impact at Unite with a clear link to our purpose of providing a 'Home for Success'. Our initiatives are focused on helping young people to succeed through supporting the transition from school to university and helping to widen access to Higher Education. The Unite Foundation celebrates its 10th anniversary this year and to date our support has helped provide accommodation scholarships for over 500 care leavers and students who are either care leavers or estranged from their families. We are committed to delivering positive social impact for our students and communities over the long term, which is reflected in our target to invest 1% of profits into these initiatives each year.

Fire safety

Fire safety is a critical part of our health and safety strategy and how we operate as a responsible business. We are committed to being leaders in fire safety standards, through a proactive risk-based approach, which is embedded across our entire business, to ensure that students and our employees are kept safe. All our buildings are independently confirmed as safe to operate and occupy by fire safety experts.

We have undertaken a thorough review of the use of high-pressure laminate (HPL) cladding on our properties. During the period we completed remedial works on four buildings and are now on site at a further eight, spending a total of £38 million (Unite share: £18 million) in the year. Our year-end balance sheet includes provisions and accruals for £107 million (Unite share: £55 million) of cladding remediation costs, which will be incurred over the next 12–36 months.

The Government has proposed a Building Safety Bill, covering building standards, which is likely to result in more stringent fire safety regulations. We will ensure we remain aligned to fire safety regulations as they evolve and will continue to make any required investment to ensure our buildings remain safe to occupy.

We are seeking to mitigate the costs of cladding replacement through claims from contractors under build contracts, where appropriate. To date, we have recovered £10 million from completed claims, representing 70% of the costs of remediation on those buildings. We expect to recover 50–75% of total replacement costs over time, but this is not reflected in our balance sheet.

Well protected against inflation

Like many businesses, rising inflation is resulting in cost pressures in parts of our operations and development supply chains. Positively, the business is well protected from these impacts through the inflation-hedging characteristics of our income and risk management through cost hedging.

Our rooms are either re-sold each year on a direct-let basis or re-priced based on RPI, CPI or fixed rental inflators under our multi-year nomination agreements. These multi-year agreements are expected to deliver contracted rental increase of c.4% for the 2022/23 academic year, supporting rental growth across the total portfolio of 3.0–3.5%. We remain focused on providing value-for-money accommodation for students and recognise that affordability is key to the sustainability of our rental growth over the long term. Our cost base is also protected from some inflationary pressures through hedging of utility costs, interest payments and fixed-price contracts for committed development projects. At current energy prices, our utilities hedging will save the Group £24 million in 2022, representing around 0.5% of our rent.

Investing to enhance our estate

DEVELOPMENT IN THE HEART OF LONDON

At Aldgate east, London, we are set to deliver 920 new beds for the 2022/23 academic year. The scheme, located on Middlesex Street, is our largest ever development with a total development cost of £187 million

We are in advanced negotiations with a high tariff University partner for a five-year nomination agreement for this development for approximately two thirds of the total beds. The project is expected to realise £109 million in NTA uplift by completion and add 2.0p to EPRA EPS.

For more about this project, go online to:
unite-group.co.uk/our-portfolio/development-pipeline

We remain confident in our ability to manage inflation in the short term through efficiencies across the operations business and by factoring higher build costs into our development appraisals.

Growing demand for Higher Education

The outlook for student accommodation remains positive, with structural factors continuing to drive a demand-supply imbalance for our product. Demographic growth will see the population of UK 18-year-olds increase by 22% by 2030. Participation rates in the UK also continue to grow and are now at their highest ever level, reflecting the value young adults place on a higher level of education and the life experience and opportunities it offers.

The Government is targeting growth in international student numbers, aided by the two-year post-study visa (three years for postgraduates). This ambition is underpinned by the UK Higher Education sector's global standing and the strength of its universities. Given constraints on new supply of university-owned stock and private-rented housing, the vast majority of this new demand will need to be met by corporate PBSA providers.

Brexit has had a negative impact on EU student numbers due to the loss of home fee status and access to a tuition fee loan with student acceptances falling from 32,000 to 16,000 in 2021/22. EU customers represent 5% of occupancy in 2021/22, down from 10% in 2019/20. We anticipate a more marginal reduction in EU student numbers over the next two years, which we expect to more than offset through increasing demand from UK and non-EU students.

The Skills for Jobs White Paper, published in 2021, underlines the Government's commitment to widening participation in post-18 education and strengthening the global standing of the UK Higher Education sector. Ahead of the Government's final response to the Augar Report on post-18 education and funding, the Office for Students (OfS) has launched a consultation on student outcomes in the HE sector. It will consider the quality of HE provision and value-for-money for students and the taxpayer and may lead to the introduction of minimum standards for HE providers based on course completion rates and the share of students going on to employment or further study.

We are confident that our strategic alignment to high and mid-ranked universities positions us to successfully navigate future changes to the Government's HE policy. Around half of our income comes from universities in the top quartile of the OfS's quality metrics with only 4% coming from universities in the bottom quartile.

Growth through development and University partnerships

OPTIMISING OUR PORTFOLIO

Development and University partnerships are significant drivers of growth

We have secured development and a University partnerships pipeline of £967 million representing c6,000 beds for delivery of the next four years.

In 2021, we opened Artisan Heights in the centre of Manchester, a £57 million development providing over 600 beds. We are due to open two new properties in time for the start of the 2022/23 academic year at Middlesex Street, Aldgate, London and Campbell House in Bristol. Middlesex Street will be a landmark asset in partnership with King's College London. Campbell House is let to the University of Bristol under a 15-year nomination agreement.

Both UCL and University of the Arts London are developing new campuses in Stratford, London which are due to bring a further 10,500 full-time students to the area from the 2022/23 academic year. We have exchanged contracts to acquire a c.1,000 bed development site in Stratford, east London on a subject to planning basis, further expanding our footprint in London.

For more about this project, go online to:
unite-group.co.uk/our-portfolio/development-pipeline

CHIEF EXECUTIVE'S REVIEW continued

Opportunities to grow our platform

There remain significant opportunities to grow the business in the UK PBSA sector through our secured development pipeline, targeted acquisitions and partnerships with universities. We have also periodically considered opportunities to expand our PBSA footprint outside of the UK. However, we strongly believe that the core strengths of our best-in-class operating platform, stakeholder relationships and development expertise could be better leveraged in growing the business within the UK.

Demand for student accommodation continues to grow due to rising student numbers and the increasing awareness of the benefits of PBSA among non-1st-year students. The HMO sector, which provides homes to one million students, is increasingly expensive and not fit-for-purpose in a backdrop of rising environmental standards through EPC certification. The cost to HMO landlords of addressing this issue is substantial, which we expect to result in increased costs for students and a reduction in the availability of private rented homes. Through our ambitious sustainability commitments and leadership in the student accommodation sector, we are well positioned to attract more students over time.

There is also a potentially significant opportunity to grow our platform in the wider living sector by catering to the growing number of young professional renters living in major UK cities. There is an acute shortage of high-quality, professionally managed and sustainable rental accommodation in the UK. We believe our operating platform and development capability would enable us to be successful in the young professional living market. We are already trialling a new product for the non-student element of our development at Campbell House in Bristol and, more broadly, we are reviewing the relative attractiveness and scale of opportunities in this sector.

Outlook

The outlook for the business remains strong, reflecting the underlying strength of student demand, our alignment to the strongest universities, the capabilities of our best-in-class operating platform and our track record of delivering growth.

We are confident in our ability to deliver significant growth in earnings and attractive total accounting returns for shareholders. We expect strong demand for the 2022/23 academic year with reduced disruption from travel restrictions and grade inflation. This supports a return to 97% occupancy, 3.0–3.5% rental growth and the delivery of total accounting returns of c.10% for 2022, excluding any impact from yield movements. We therefore remain very confident in the prospects for the business.

Richard Smith
Chief Executive Officer
23 February 2022

Improving our environmental and social impact

NET CARBON ZERO BY 2030

In December 2021 we published our Net Zero Carbon Pathway which sets out our approach to achieving our carbon reduction targets

These targets have been validated by the Science Based Targets initiative. We are developing individual plans for all of our buildings to deliver energy efficiency improvements and will complete these in 2022. A further milestone in the year was the purchase of around 20% of our electricity direct from a windfarm in Scotland under a new corporate power purchase agreement, a key step towards fulfilling our RE100 commitment to purchase 100% renewable electricity by 2030.

Our broader Sustainability Strategy is focused on creating a business which will shape a positive future for generations to come and enhancing the contribution that we make to society. We are engaging with our customers, partners and suppliers to adopt new ways of working which support society's wider mandate to do the right thing.

For more about this project, go online to:
unite-group.co.uk/sustainability/our-net-zero-pathway