

winter 2009/2010

update

Welcome to the winter edition of update

I am delighted to announce that UPP has successfully completed one of the largest transactions finalised in the UK this year, by signing a £133 million agreement with the University of Exeter. Reporting on the transaction, the Financial Times highlighted UPP's unique business model and partnership approach, emphasising the appeal of the university accommodation sector for investors.

Financial close has also been achieved on a £115 million transaction with the University of Nottingham: a further demonstration of the confidence that the financial community has in UPP's unique funding model. The scale of these two deals is affirmation of the fact that university accommodation is an increasingly attractive and stable investment opportunity. The banks involved have been attracted by UPP's secure, long-term revenue streams, based on rental income rather than property values.

UPP is securing record levels of private sector funding for our university partners, enabling them to offer excellent facilities to their students in an environment which is becoming increasingly competitive. New rooms opened by UPP during the autumn at Loughborough University and Leeds Metropolitan University's Carnegie Village are proof of the quality of the accommodation universities are able to offer students as a result of working with UPP.

With current occupancy levels of 100% across our portfolio of more than 18,500 rooms, it is estimated that we will deliver a total rental income of £75 million for the company in 2009/10.

Following the success at the UK BREEAM awards in 2008, the Eco Residences designed and constructed by UPP at Lancaster University

have won the 'Environmental Sustainability' category of the North West Construction Awards. The development was also recognised in the Chartered Institution of Building Services Engineers (CIBSE) North West Regional Awards, taking first place for 'Environmental Design'. The university also received a Green Apple Award for the Built Environment in June.

We were delighted to hear that Loughborough University, Nottingham Trent University and the University of Nottingham also swept aside the competition at the Times Higher Education Leadership and Management Awards 2009 in June, taking awards for 'Outstanding Student Accommodation Team', 'Outstanding University Fundraising Team' and 'Outstanding Estates Initiative'. Our congratulations go to all these universities.

During the last few weeks, UPP has been awarded ISO 14001/2004 certification, recognising delivery of an effective Environmental Management System (EMS) while achieving a balance between maintaining profitability and reducing environmental impact. This is not only a tribute to the professionalism of our teams around the country but ensures that the service we offer our university partners is second to none.

Sean O'Shea, Chief Executive



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Green light for three-year project at Exeter

UPP's partnership with the University of Exeter was finalised in September and construction work on this major initiative to provide new, sustainable student residences is due to start soon.

UPP's two-stage transaction with the university involves the transfer of 980 rooms of existing accommodation. Of these, 617 will be retained and operated by UPP and the remainder demolished and redeveloped to provide 1,952 new en suite units of student housing. UPP will design, finance and operate the new accommodation, which is to be built using UPP's Eco Residence model, at three locations on the Streatham campus: Birks Hall, Duryard and Lafrowda. The construction contract is valued at £77 million, with the development scheduled for completion in 2013.



Artist's impression of Block B University of Exeter

For the University of Exeter, the redevelopment programme will ensure:

- Privately raised capital investment of circa £133 million, secured on predictable, long-term revenue streams;
- Transformation of the quality and capacity of the campus to house students, with construction risk transferred to UPP;
- Risk transfer to UPP of the on-going provision of hard and soft facilities management (FM) services;
- Increased ability to achieve plans for growth, with more efficient use of space;
- Lower delivery and running costs;
- New, sustainable accommodation as an integral part of the university's educational offering.



Artist's impression of Block H University of Exeter

The scheme is a key component of a massive £450 million investment programme that includes £25 million for the university's business school, £18 million for biosciences and a further £48 million for the Forum Project, providing an extended and re-furnished library together with a range of other facilities. Jeremy Lindley, Director of Finance and Corporate Services at the University of Exeter, said, "The deal with UPP is critical to the university's future development because we require extra student accommodation if we are to expand in the years ahead."

It is hoped that this ambitious project will benefit the local economy by creating around 300 construction jobs and 60 jobs providing FM services to students. The development will also help to deliver nearly £30 million of continuing spending into the local economy from students living in the new residences.

The University of Exeter is one of the most successful HE institutions in the country and was named University of the Year by The Times Higher Education Supplement for 2007/08. It has recently achieved a top ten rating in The Times University Guide and is also one of the country's most popular universities, with 10,500 undergraduates and 5,000 postgraduates on roll.

"The deal with UPP is critical to the university's future development because we require extra student accommodation if we are to expand in the years ahead."

Jeremy Lindley, Director of Finance and Corporate Services at the University of Exeter

The Partner's View – University of Exeter



Jeremy Lindley, Director of Finance and Corporate Services at the University of Exeter, explains why UPP is the university's partner of choice.

Universities are well aware that the availability of good quality accommodation, on campus and offering good value for money, is a key factor when students are making their university choices. We frequently hear of students who choose Exeter because we have a campus setting offering on-site accommodation, so it is important for us to continue to offer this facility as much as we can.

In the past we have had several third party agreements with other student accommodation providers which have generally been short-term. The university recognised that we needed to further develop our student accommodation provision and looked to work longer term with a partner organisation in order to achieve this goal. This was a complex transaction, in particular having three large development sites on campus meant we were looking for a solution that would provide a long term partnership with Exeter and also complete commitment to providing services to our students. It was important to us that UPP was able to not only provide us with new buildings but also manage them on an ongoing basis.



Streatham Campus, University of Exeter

The brief for the project was for an interlinked service which we believe provides ownership of and responsibility for the provision of high levels of service for our students.

We went through an extensive tendering process through the OJEU guidelines and through this process UPP was selected as our preferred partner. I and my colleagues were aware of UPP's reputation in the market and had come across the company when working at other universities.



Views of the University of Exeter's grounds

The University of Exeter, like many universities, takes its corporate responsibilities seriously, we have a Sustainability Action Plan which refers to new buildings and operations in existing ones. We already have a number of high quality new residences, for example they have 4-star Tourist Board Accreditation, so we are aware of the benchmark we have set and wish to continue. In the brief the university requested that all new buildings are built to a high level of design and performance and conform to BREEAM standards.

As the economy tightens many universities, like us, are looking for alternative ways of investing in their facilities. A mutually beneficial arrangement, such as our partnership with UPP, is just one of a range of innovations and new avenues that can be used, in particular for residential developments which are support facilities for universities and non-core to the activities of teaching and research. Exeter has an ambitious and aggressive £450 million development programme to provide first class teaching, research, social and residential facilities for the university community. Our new partnership with UPP is a key factor in this jigsaw, not only in terms of providing accommodation but the capital release will support some of that larger programme, helping bring the scheme as a whole to fruition.

“Exeter has an ambitious and aggressive development programme... Our new partnership with UPP is a key factor in this jigsaw, not only in terms of providing accommodation but the capital release will support some of that larger programme.”

Jeremy Lindley, Director of Finance and Corporate Services at the University of Exeter

Minister opens landmark scheme at Leeds

The Rt Hon Rosie Winterton MP, Minister for Yorkshire and the Humber, launched UPP's new Carnegie Village development at Leeds Metropolitan University in September.

"Carnegie village demonstrates commitment to the environmental agenda and to meeting government targets to reduce carbon emissions. It is a first rate example of how our region can lead the way in energy efficient building. I am sure that students will enjoy living in this superb place. Accommodation of this standard can only help attract more people to study in Leeds" said the Minister.

Having already successfully completed a number of Eco Residences for its other university partners, at Leeds UPP has taken sustainable design a step further by building one townhouse block to an innovative design that uses an enhanced building envelope to reduce heating levels to the point that a conventional heating system is not necessary. Instead, heat generated from the occupants and their day-to-day activities is recovered and used to maintain a comfortable temperature inside the building. In addition, increased levels of thermal insulation and triple-glazing to doors and windows reduce heat loss.



Colin Sargeant (Divisional Construction Director, Shepherd Construction), Sean O'Shea, Geoff Hitchens (Chief Executive, Leeds Metropolitan University) and Rosie Winterton MP



UPP's Eco Residences at Carnegie Village, Leeds Metropolitan University

The Headingley Campus accommodation scheme consists of townhouses and cluster flats. The units have been constructed using 13% recycled material and have been awarded a BREEAM 'Excellent' rating. Carnegie Village, which will also be operated day-to-day by UPP, provides students with 479 new residential bedrooms, including seven for students with disabilities. These are split into six blocks comprising townhouses for between nine and 12 students and some cluster flats. The flats boast en-suite facilities, bedrooms with double beds, vending and laundry facilities, as well as a 24-hour reception area and will double as accommodation for conference delegates during the summer. The high specification of the design has already impressed visitors, including teams from the Paralympics and the Football Association.

Leeds Metropolitan University already has a reputation for environmental initiatives, which earned the university a top ten place in People and Planet's 2009 Green League Tables. The Rose Bowl building, the new home of the Leeds Business School which opened in Leeds city centre earlier this year, also attracted a BREEAM 'Excellent' rating, boasting 25% recycled building materials used in its construction.



UPP's Eco Residences at Carnegie Village, Leeds Metropolitan University

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Rt Hon Rosie Winterton, MP, Minister for Yorkshire and the Humber

Environmental performance linked to future funding



As the university funding debate rages on and many in HE ask for the fees cap to be raised, one thing is certain: in the future, the government is determined to forge a strong link between environmental performance and funding.

Earlier this year, John Denham, Secretary of State for Innovation, Universities and Skills, told the Higher Education Funding Council for England (HEFCE) that by April 2011, "all universities that receive capital funding should have plans to reduce their carbon emissions, and that their performance against these plans should be taken into account when allocating future funding".

University funding allocations are now set until 2011. Due to the recession, student numbers have been capped and universities have been told they must save £50 million during 2010 by using more efficient methods of procurement and tightening up estate management across the estimated 25 million square metres of space (source: Estates Management Statistics) that they collectively own. Add to this the introduction in April 2010 of the new Carbon Reduction Commitment – which will also have an impact on universities – and wasting energy will not be an option for the HE sector.



UPP's Eco Residences at Woolf College, University of Kent

UPP's latest partnership with the University of Exeter is based around the provision of sustainable accommodation, designed and built to reduce energy use, cutting running costs while lowering carbon emissions. Our groundbreaking Eco Residence model, which has been awarded a BREEAM 'excellent' rating, has already been used to great effect at four sites around the country. Units are constructed off-site and each build has a carbon footprint up to 30% less than comparable traditional schemes. A wide range of energy saving systems that we have incorporated within each building also helps promote a more sustainable lifestyle by giving students the chance to reduce and recycle their waste and actively manage their energy use.



UPP's Eco Residences at Lancaster University

According to HEFCE, universities emitted 1.8 million tonnes of carbon dioxide in 2006-07. Going forward, estates directors will be looking for ways to reduce the carbon footprint of their estates, while at the same time operating within a tighter fiscal environment. At UPP, with our proven track record of providing sustainable, low energy accommodation for students, we are confident that we can help our university partners both improve their green credentials and meet their future environmental commitments.

Doug Allen, Director of Health, Safety and Environmental Services

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UPP Asset Management



UPP Asset Management is now delivering Facilities Management (FM) services to more than 18,500 rooms across 11 university sites around the country, with more schemes planned for completion in the next 18 months. In light of the company's growing reputation within the HE sector, the FM business aims to expand its portfolio to encompass non-residential as well as residential space.

UPP is already a trusted partner to the sector, delivering risk-free solutions for the funding, design, build and operation of residential student accommodation. UPP offers considerable benefits to university partners via our unique business model. Peter Czarnomski, Director of Estates at the University of Kent, confirms this, saying, "UPP offered us a fully managed service that covered every aspect of our project through to operation of the properties. It has made our lives a lot easier". With more than a decade of experience working alongside a wide range of universities and meeting their differing requirements, we are confident that UPP is now in a position to broaden our service offering to provide our partners with bespoke asset management solutions.

These include:

- Hard and soft FM
- Revenue management
- Whole life costing management and asset maintenance
- FM cost and operational service level reviews
- Performance and availability regimes
- Construction negotiation, implementation and delivery management
- Project management
- Design management



UPP's student residences at Loughborough University



UPP's maintenance staff at work at Loughborough University

assetmanagement

In light of the current funding squeeze, university estates managers are under pressure to cut operating costs and may wish to consider outsourcing some elements of FM to enable a stronger focus on their core business. UPP Asset Management offers universities the opportunity to reduce and fix the cost base for FM across the entire university estate, while maintaining and potentially improving the quality of service delivery.

During the last decade, we have built up strong relationships with our partner universities and both existing and potential partners can be confident that service delivery will be from an established, trusted and experienced provider that can offer comprehensive and bespoke solutions tailored to suit the particular circumstances of individual universities.

We are strongly committed to becoming the leading provider of quality accommodation and estates services to the HE sector. With this in mind, we perform to Service Level Agreements established with our partners and these are constantly and actively monitored via regular benchmarking and customer satisfaction sampling.

Our results speak for themselves. With impressive occupancy levels now being consistently achieved across the whole of the UPP portfolio, we continue to prove that we can meet the needs of our partners, while at the same time enhancing the student experience and supporting the environmental objectives of both universities and our residents.

Sam Bailey-Watts, Director, Residential Services

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Peter Czarnomski, Director of Estates at the University of Kent

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Photography provided by Stuart Key Photography, University of Exeter, Daniel Thistlethwaite Photography and Martine Hamilton.

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