# NAV, portfolio update and dividend

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GCP Student Living PLC
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**GCP Student Living plc**

**("GCP Student" or the "Company", together with its subsidiaries the "Group")**

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**NAV, portfolio update and dividend**

**Net Asset Value**

GCP Student, the UK's first REIT focused on student residential assets, today announces that at close of business on 31 March 2020, the unaudited estimated EPRA net asset value per ordinary share of the Company was 171.55 pence. The EPRA net asset value includes income for the period (cum-income) and does not include a provision for an accrued dividend for the quarter to 31 March 2020.

The EPRA net asset value (ex-income) was 169.97 pence per ordinary share at that date, representing a quarterly decrease of 1.8% which has mainly been driven by the anticipated impact of the Covid-19 pandemic on the Group's income for the remainder of the 2019/20 academic year.

**Portfolio and management update**

*Valuation*

At 31 March 2020, the valuation of the Company's portfolio was £986.5 million representing a like-for-like decrease over the quarter of 0.9%.

At that date the portfolio, of which 81% was located in and around London, comprised eleven assets with c.4,100 beds, including Scape Brighton which remains under construction, and the Net Initial Yield on the operational portfolio was 4.44%.

The valuations have been reported on the basis of "material valuation uncertainty" by the Company's independent valuer, in accordance with recent guidance issued by the Royal Institution of Chartered Surveyors (RICS) in light of the Covid-19 pandemic.

*Covid-19 impact on academic year 2019/20 income*

As announced on 27 March 2020, 74% of all the budgeted 2019/20 academic year income of £50.5m had been collected as at that date. The Company has now collected 80%.

As a result of the flexibility offered to direct let tenants and the wider economic impacts of Covid-19, the Directors anticipate a reduction of c.£9.0m (18%) to all the budgeted 2019/20 academic year income. The Company currently anticipates property operating cost savings of c. £1.0m from lower occupancy reducing the impact on earnings to c.£8.0m.

*Direct let income*

- As announced on 27 March 2020, the Company advised it would look favourably upon requests to forgo rents by residents seeking to return home for the remainder of the current academic year on a case-by-case basis. Direct let rents represent 79% of the 2019/20 academic year rent roll and the offer of forgoing rent related to the final direct let instalment of c.20% due in April 2020.
- At the time of the previous announcement 80% of direct let income budgeted for the 2019/20 academic year had been collected. This figure has increased to 84%. Currently c.40% of rooms remain occupied or have residents that have decided to pay a reduced rent for the remainder of the academic year in order to keep their room for the storage of their belongings.
- The Directors do not currently believe this figure will materially increase over the rest of the academic year.
- The anticipated reduction in forecast property operating costs of c.£1.0m is attributable to reduced utility costs and payroll costs. Vacant rooms are being prepared for the forthcoming academic year on a rolling basis. This usually takes place in a one week period and with the additional time available to do so the Company will not incur the cost of external contractors to prepare rooms ahead of the 2020/21 academic year.
- The Directors, as advised by the Investment Manager, Gravis, do not expect the Group to generate any material income in respect of summer lettings at its Scape Bloomsbury asset. The budgeted gross income for the coming summer was c.£1.1m.
- The Company, in consultation with its Asset and Facilities Managers, has adapted its marketing strategy to reflect current circumstances with a particular focus on digital marketing and existing residents.
- Bookings for the forthcoming 2020/21 academic year are marginally behind the same time last year

*Nominations agreements and long-term leases*

- 21% of the Group's budgeted income is from nominations agreements and long-term leases. At the date of this announcement 71% has been collected with respect to these agreements for the 2019/20 academic year.
- Scape Shoreditch has a long-term occupational lease to a WeWork subsidiary, which is part-guaranteed by its US parent company WeWork Companies Inc. This lease comprises approximately 4.9% of the Group's annual budgeted income.

  The long-term impact of the Covid-19 pandemic on the shared workspace sector is currently unknown and difficult to quantify and it is currently unclear how resilient providers such as WeWork will be in the event of a sustained downturn.

Rental payments are received from WeWork quarterly in advance. As at the date of this announcement the Group has received approximately half of the payment due to it in respect of the quarter to 23 June 2020. The Company, through the Investment Manager, is currently in discussion with WeWork in relation to the outstanding payment and continues to monitor the performance of the Group's lease with WeWork.

Scape Shoreditch is a modern property located in a prime London location, a two-minute walk from Old Street underground station.

- The Company has a long-term nominations agreement with a subsidiary of INTO University Partnerships ("INTO"), a provider of foundation courses, for 210 beds at its Scape East asset. Rents for the agreement are received in advance of each of the three terms of the academic year. INTO are currently in arrears in respect of their latest rental instalment and the Company, through the Investment Manager, is in discussions with Into with regard to this.

- Rental income in respect of the Group's lease at Circus Street, Brighton, continues to be received in line with expectations. The 450-bed student accommodation building is contracted on a 21-year lease with annual uplifts of RPI plus 50 basis points (capped at 5% and floored at 2%) to a subsidiary of Kaplan Inc, a global education provider.

- The nominations agreement for 100 beds at our Scape Greenwich asset has been treated in line with our direct let tenants, i.e. released from the final instalment of the 2019/20 academic year on a case by case basis.

*Forward funding agreements*

- On 23 May 2019, the Company announced that it had commenced the forward funding of Scape Brighton, a large-scale 555-bed development located on the primary campus of the University of Brighton.

  As a result of a combination of social distancing measures and supply chain disruption arising from the Covid-19 pandemic, the construction of Scape Brighton is proceeding with reduced levels of activity. Whilst it remains the expectation that Scape Brighton will be operational for the 2020/21 academic year, there is a risk that completion of construction is delayed beyond the start of the academic year.

  Should construction not be completed ahead of the scheduled move-in date for students who have booked accommodation at Scape Brighton, the Group shall be responsible for accommodating such students, at its cost, until such time that construction has completed.

  The remainder of the construction costs at Scape Brighton are being funded through a £55m development loan facility, which is c.£27m drawn as at the date of this announcement and hence completion of the building should not impact the Company's cash reserves.

  The Company benefits from licensing fees which provide a 5.5% per annum coupon until the site reaches practical completion.

- The Company is also forward funding c.30,000 square feet of grade A offices as part of the wider site at Circus Street, Brighton. This remains under construction and the Company continues to receive licencing fees which provide a 5.5% coupon on deployed cash through the construction phase.

*Pipeline*

- On 7 April 2020, the Company announced that the conditional forward purchase agreement in respect of Scape Mile End Canalside ("Scape Canalside") had terminated. The Directors continue to assess whether the acquisition of Scape Canalside may be funded whilst maintaining the Group's liquidity and conservative borrowing levels, particularly in this period of uncertainty.

*Cash and available debt facilities*

- The Company currently benefits from a robust balance sheet, including cash resources of c.£58.4 million, conservative borrowing levels and an undrawn £45 million redrawable credit facility at the date of this announcement.

- The Group's borrowings have an average weighted maturity on its drawn debt of approximately six years from the date of this announcement. The Group's Loan to Value ("LTV"), calculated as borrowings net of cash as a proportion of the Group's total portfolio value, is 20%.

**Dividend**

The Board is pleased to announce a third interim dividend of 1.58 pence per ordinary share, in respect of the quarter ended 31 March 2020.

The dividend will be paid on 8 June 2020 to ordinary shareholders on the register at 11 May 2020. The dividend will be paid as 1.30 pence per ordinary share as a REIT property income distribution ("PID") in respect of the Group's tax-exempt property rental business and 0.28 pence per ordinary share as an ordinary UK dividend ("non-PID").

In the event that the disruption caused by the Covid-19 pandemic continues into the 2020/21 academic year, the Company's rental income will be adversely impacted. The scale of this impact will depend on measures taken by global authorities, including the UK government, the approach taken by higher education institutions as regards in-person learning and how the situation develops and over what timescale. The Directors continue to keep wider events and the Company's operations under review in respect of any future dividends which may be declared by it.

Additional information on the Company's portfolio can be found in the factsheet for the period ended 31 March 2020, which will be published shortly and will be available at:

www.gcpstudent.com/literature

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**About GCP Student**

The Company was the first student accommodation REIT in the UK, investing in modern, purpose-built, private student residential accommodation and teaching facilities.

Its investments are located primarily in and around London where the Investment Manager believes the Company is likely to benefit from supply and demand imbalances for student residential accommodation. GCP Student's property portfolio comprises eleven assets with c.4,100 beds, including one asset which is under construction. At 31 March 2020, its property portfolio was valued at £986.5 million.

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