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REAL ESTATE INVESTMENT TRUSTS

GCP boosted by solid demand

Demand for quality student accommodation continues to outstrip supply, which is good news for **GCP Student Living (DIGS)**, which has 3,600 beds fully operational or being refurbished.

The quality of the portfolio is very high, as most of it is concentrated in and around London. Not surprisingly, the portfolio achieved full occupancy in the year to June, while rental growth of 4.1 per cent exceeded the 2.9 per cent national average for private student accommodation.

Acquisitions included Circus Street in Brighton, which will provide 450 beds and 30,000 sq ft of commercial office space. After the year-end, GCP entered into a conditional agreement to acquire and forward fund the construction of another site in Brighton comprising around 550 beds and 1,500 sq ft of retail space. Part of this will be financed through existing facilities, although further debt or equity issuance may be necessary.

The dividend is currently two-thirds covered by adjusted earnings. But the Circus Street development in Brighton is due for completion in September 2019, while the Bloomsbury site in London opens to students this month, and subsequent rental income is expected to be more than sufficient to fully cover the dividend.

Analysts at Stifel are forecasting adjusted net asset value of 148p a share at the December 2018 year-end (from 138p in 2017).

Shares in GCP are up from our recent buy tip (145.2p, 22 June 2018), and while further fund raising will dilute earnings, the quality of the assets held and continued rental growth add to the attraction. JC

Buy

Ord Price: 151.8p Market Value: £585m
 Touch: 151.6-152.8p 12-Month High: 153p Low: 136p
 Dividend Yield: 3.9% Trading Stock: nil
 Premium To NAV: 2% Net Debt: 35%
 Investment Properties: £784m

Year to 30 Jun	Net asset value (p)	Pre-tax profit (£m)	Earnings per share (p)	Dividend per share (p)
2015	126	31.3	28.5	5.6
2016	137	28.3	15.5	5.66
2017	139	23.5	8.1	5.75
2018	149	61.1	15.9	5.95
% change	+7	+160	+96	+3

Last IC view: Buy, 145.2p, 22 Jun 2018 Ex-div* Payment: *
 *Dividends paid quarterly. Fourth-quarter interim of 1.51p payable on 10 Sep