Investment Highlights

A portfolio comprising mainly freehold terraced student houses, situated close to the University of Hull

- The majority of the properties are located under 1 mile of the main University of Hull campus on Cottingham Road.
- The portfolio includes 195 student let assets, comprising a mix of C3, C4 (HMO) and sui generis uses.
- 70% of the properties are held on 10 principal streets.
- Current total residential rent passing of £3,222,747 pa, reflecting an occupancy of 98.4%.
- 158 houses (incl. 741 bedrooms), with a total rent passing of £2,888,922 pa.
- 37 flats (incl. 82 bedrooms), with a total rent passing of £333,825 pa.
- 16 licensed HMO’s comprising 104 bedrooms.
- 4 commercial units with a current rent passing of £14,316 pa.
- Excellent opportunity to acquire the existing and well established management platform.
- Gross residential income of £3,227,282 agreed for the 2016/2017 student year (801 of 823 bedrooms let).
Hull

Kingston-upon-Hull is situated along the northern side of the Humber estuary and has a total population of 256,400 (2011 Census). Whilst the higher education, and manufacturing sectors have played a significant role in the economic regeneration of the city, it is now witnessing the emergence of new growth sectors including wind energy, biomass and digital technology. This emergence comes at the same time as a cultural renaissance in the city, following the announcement in 2013 that it is to be the European City of Culture in 2017.

**Location**

The city is located approximately 40 miles to the south east of York, 60 miles to the east of Leeds, 70 miles to the north east of Sheffield and an equivalent 200 miles to London and Edinburgh.

Hull train station provides regular services UK wide, including a direct service to London Kings Cross (approximately 2h 37m), and Leeds (50m). Humberside Airport (approximately 20 miles to the south of Hull) has regular flights to destinations across the UK and mainland Europe, with British Airways and KLM both running services from the UK and mainland Europe, with British Airways and KLM both running services to the UK and mainland Europe, with British Airways and KLM both running services to the UK and mainland Europe, with British Airways and KLM both running services to the UK and mainland Europe, with British Airways and KLM both running services to the UK and mainland Europe, with British Airways and KLM both running services to the UK and mainland Europe, with British Airways and KLM both running services to the UK and mainland Europe, with British Airways and KLM both running services to the UK and mainland Europe, with British Airways and KLM both running services to the UK and mainland Europe, with British Airways and KLM both running services to the UK and mainland Europe.

**Economy**

Hull developed through the middle ages as a port, from which wool was exported to northern Europe. It remains a major gateway to the European Union, and where the raw materials of the Baltic region were imported into England. Now some of the largest super ferries in the world operate from the Humber Port, which is the UK’s largest, multi-purpose port complex serving the north of the UK.

Hull’s economy has significantly changed over the last 30 years and has been shaped by its location and history, with many industries developing from the combination of the port and rural surroundings. These include services such as bioenergy, advanced engineering, food manufacturing and port and logistics.

As the largest city in the area, Hull has established itself as an important hub for retail, commerce and manufacturing. Its business base is characterised by some of the larger organisations such Asos, B&Q, B&H, Smith & Nephew, Google, Cunard, Moderna and P&O Ferries.

The Public Sector accounts for the largest proportion of jobs in the city. Key employers include the Inland Revenue, Hull and East Yorkshire Hospitals NHS Trust, Hull City Council, the Land Registry and the University of Hull. Although located outside the city of Hull, BP Chemicals and BAE Systems are also major employers of Hull labour.

Humber Quays One and Two, a regeneration waterside development, has become the premier business district for Hull, raising the core availability of high specification office space within the area. The two buildings, which total 6,800 sq ft of Grade A accommodation, have attracted tenants such as PwC, Barclays, The Royal Bank of Scotland, Santander and Siemens.

ABP (Associated British Ports) are the leading provider of port facilities and services to shipping and cargo owners via 21 UK ports. Their Humber operations support approximately 23,000 jobs in the area and contribute £2.2 billion to the UK economy each year, and of that figure £1.16 billion is retained within the region.

In 2014, Siemens and its partner ABP announced that it was investing £310 million in wind turbine production and installation facilities across 2 sites in the city. The investment will provide a huge boost to the UK’s offshore wind industry and the Humber region. The investments will create up to 1,000 jobs directly, with additional jobs during construction and indirectly in the supply chain.

**Retail**

Hull has an extensive retail offering from high street giants to small independent shops. It is well known for its diverse shopping experience and abundance of brands.

Hull’s core retail destination is centred around Queen Victoria Square, which lies between the Historic Old Town and the New Town. Surrounding the square are the main shopping streets, which include Whitefriargate in the Old Town and King Edward Street and Jamieson Street in the New Town. House of Fraser, the premium department store, is situated towards the end of Jamieson Street, which offers a range of high end fashions concessions such as Ralph Lauren and Hugo Boss.

In 2007 the extension of St Stephen’s Shopping Centre was completed, it is the most recent major retail investment project within the city and is part of the wider Hull City Masterplan. It comprises over 45 retailers and food outlets, and is conveniently situated outside the train station opposite House of Fraser. In 2012 it was voted by Retail Week as the UK’s Retail Destination of the year.

Princes Quay is the largest shopping centre in Hull and is situated next to Queen Victoria Square in the central retail district above Princes Dock and is subsequently part suspended by stilts. It has been constructed utilising large windows providing visitors with panoramic views of the Hull Marina and the dock. Adjacent the building is a c. 1,000 space multi-storey car park, which provides a large amount of footfall from people visiting the city. The centre also comprises a Vue Cinema, 12 lane bowling alley and gym.

A retail led development named Quay West is currently under consideration and will extend the existing Princes Quay shopping centre, transforming the local area and creating a new ‘retail circuit’ with six new city blocks and a series of new streets and public spaces, linking the area with the St Stephen’s and Prospect Shopping Centres. The investment is estimated to total £300 million and generate a c.£20m - £40m annual injection into the local economy. The salient features include 667,000 sq ft of retail space, two department stores, 10 new shops, 175 bed four star hotel and 2,500 car parking spaces.

**European City of Culture 2017**

Hull was also announced in 2013 as the European City of Culture 2017. Over the course of 2017, the city will be host to a wide array of art, music, drama and creative events. Hull City Council are working with public and private funders, businesses and trusts to deliver the programme of events.
The Portfolio

The portfolio comprises a total 195 student let assets (a mix of C3, C4 and six genuses use) and 4 commercial units. The portfolio has been aggregated over the past 20 years through the acquisition of both individual student rental properties as well as via the purchase of smaller student property portfolios. The majority of the assets are located within 1 mile of the main University of Hull campus, which is located just north of Cottingham Road and south of Inglemire Lane. 70% of the residential properties within the portfolio are concentrated over 10 principal streets. The largest concentrations being along Ash Grove (10.3%), Brooklyn Street (9.7%), De Grey Street (9.7%) and Bensonford Avenue (8.7%). The spread of the portfolio across the prime lettings area for 2nd and 3rd year students are the Humber Portfolio totals reflects 5.75% of the total number of full time students registered at the university in 2013/2014 bedrooms which the Humber Portfolio totals.

Tenants rental payments are typically made in 4 installments across the year. An initial payment of approximately 7.5% of the total annual rent due is paid on 1st August. A further three payments (of equal amounts) are paid on the 15th of October, January and April. All tenants are required to provide a rental guarantor prior to keys being released. Tenancies are currently granted to full time students. The mix of the portfolio by property type and income per bedroom is shown below:

<table>
<thead>
<tr>
<th>Property type by number of bedrooms</th>
<th>Total number bedrooms</th>
<th>% bedrooms tenanted for 15/16</th>
<th>Total rent passing per bedroom</th>
<th>% bedrooms tenanted for 16/17</th>
<th>Total rent passing per 16/17</th>
<th>Total rent pa agreed for 16/17 px bedroom</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 bed flat</td>
<td>19</td>
<td>100.00%</td>
<td>£100,050</td>
<td>100.00%</td>
<td>£101,040</td>
<td>£102.27</td>
</tr>
<tr>
<td>2 bed flat</td>
<td>17</td>
<td>100.00%</td>
<td>£203,540</td>
<td>100.00%</td>
<td>£205,000</td>
<td>£207.24</td>
</tr>
<tr>
<td>3 bed flat</td>
<td>12</td>
<td>100.00%</td>
<td>£48,300</td>
<td>100.00%</td>
<td>£48,750</td>
<td>£78.13</td>
</tr>
<tr>
<td>4 bed flat</td>
<td>12</td>
<td>100.00%</td>
<td>£224,240</td>
<td>100.00%</td>
<td>£230,000</td>
<td>£94.44</td>
</tr>
<tr>
<td>5 bed flat</td>
<td>5</td>
<td>100.00%</td>
<td>£110,050</td>
<td>100.00%</td>
<td>£111,040</td>
<td>£78.25</td>
</tr>
<tr>
<td>6 bed flat</td>
<td>5</td>
<td>100.00%</td>
<td>£262,550</td>
<td>100.00%</td>
<td>£268,750</td>
<td>£77.72</td>
</tr>
<tr>
<td>7 bed flat</td>
<td>3</td>
<td>100.00%</td>
<td>£278,250</td>
<td>100.00%</td>
<td>£285,000</td>
<td>£78.37</td>
</tr>
</tbody>
</table>

The houses, whilst in the flats there is a bathroom for every 2.1 bedrooms (34% provision per bedroom). The residential properties in the portfolio are all held freehold. The mix of the portfolio by property type and income per bedroom is shown below:

For illustrative purposes only

Two storey terraced houses with gardens to the rear. On average each bathroom serves 2.5 bedrooms (34% provision per bedroom) across the houses, whilst in the flats there is a bathroom for every 2.1 bedrooms (48% provision per bedroom).

The real estate properties in the portfolio are all held freehold. The properties tenanted are subject to Assured Shorthold Tenancies (AST’s). 1 and 2 bedroom flats are typically let on AST’s for 52 week terms. The remainder of the properties are let on 50 week terms. The tenancy start dates typically commence on 1st August.

Tenants rental payments are typically made in 4 installments across the year. An initial payment of approximately 7.5% of the total annual rent due is paid on 1st August. A further three payments (of equal amounts) are paid on the 15th of October, January and April. All tenants are required to provide a rental guarantor prior to keys being released. Tenancies are currently granted to full time students. The mix of the portfolio by property type and income per bedroom is shown below:
University of Hull

The University of Hull is situated on Cottingham Road to the north east of the city centre, within close proximity to the entire subject portfolio.

The University of Hull was originally established as University College Hull in 1927, before becoming England’s fourteenth university upon the grant of a Royal Charter in 1954.

Major investments at the university include the redevelopment of The Brynmor Jones Library, at a cost of £27.4m. In addition a further £2m has been spent on remodelling University House, which accommodates student services and a refurbished students union.

The university benefits from a 94 acre campus which has over recent years seen new buildings provided for languages and chemistry, a Graduate Research Institute and a state of the art sport, health and exercise science laboratory. A summary of photographs of the campus are shown above and on the adjacent page.

The University’s six faculties offer teaching and research across a wide range of disciplines, including health, business, social sciences, the performing arts, education, science and engineering.

The most recent statistics available by HESA from 2013-2014, confirms that university currently had 10,950 full time undergraduate and 2,375 full time post graduate students. In addition the university had 2,335 part time undergraduate and 1,355 part time post graduate students enrolled.

28.3 % of students were over 21 at the start of their studies in 2014 (mature students) and 11.3 % of full time undergraduates were overseas students (both EU and non-EU). Currently the university provides accommodation for 2,601 students (this is largely comprised by The Lawns on campus) with further accommodation for 150 students which is leased. A further 560 rooms are due to open on campus in 2016. The remainder is provided by the private sector.

Within the city there are only 500 private direct let purpose built beds, 21.6% reflects the percentage of purpose built beds (University and private owned) in relation to all full time students. Therefore a significant proportion (78.4%) of the student accommodation requirement is delivered typically in the form of HMO’s and residential flats. It is anticipated that there will continue to be significant depth of demand for the accommodation within the subject portfolio, which has been well positioned to benefit from this demand through an extensive programme of refurbishment.

% of undergraduate and postgraduate students registered at the University of Hull in 2013-2014 (Source:HESA)
Tenant profile
Lettings of properties within the portfolio to 1st year students are minimal as the majority of them are housed by the University of Hull in University owned accommodation, which is common practice with most universities. The below pie chart shows the division of tenants of the properties within the portfolio by academic year of study for 2013/2014, 2014/2015, and 2015/2016 academic years.

The retention rates provided below focus on the number of tenants that remain renting a property within the portfolio from one academic year to the next (whether this is the tenant remaining in the same property, or renting another property within the portfolio).

Retained rate for 2013/2014 tenants

Tenants may change houses because of changes in group size, but as the portfolio of properties is diverse it allows the landlords to attain higher retention rates. The below chart shows the retention rate of students. Considering all tenants in

Retained rate for 2014/2015 tenants

2013/2014, the portfolio benefitted from an overall retention rate of 27.4% and in 2014/2015 the retention rate was 33.2%.

Commercial element
The portfolio also includes 4 commercial units with a current rent passing per annum of £14,316. These units are located in Alexandra Road, Beverley Road and Newland Avenue (x2) and are all held freehold. We have outlined these four units in the table below.

<table>
<thead>
<tr>
<th>Street</th>
<th>Number</th>
<th>Use</th>
<th>Tenant</th>
<th>Date of lease</th>
<th>Term length</th>
<th>Current rent passing pa / ERV (where vacant) pa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alexandra Road</td>
<td>24a</td>
<td>Garage</td>
<td>Mike Jordan, T/A Carcrafts</td>
<td>TBC</td>
<td>TBC</td>
<td>£3,120</td>
</tr>
<tr>
<td>Beverley Road</td>
<td>568</td>
<td>Retail</td>
<td>Tina Rudland</td>
<td>10/10/2012</td>
<td>6 years</td>
<td>£5,200</td>
</tr>
<tr>
<td>Newland Avenue</td>
<td>203</td>
<td>Retail</td>
<td>Jodie Newton</td>
<td>15/09/2014</td>
<td>3 years</td>
<td>£6,000</td>
</tr>
<tr>
<td>Newland Avenue</td>
<td>207</td>
<td>Retail</td>
<td>Vacant</td>
<td>NA</td>
<td>NA</td>
<td>£5,750 (ERV)</td>
</tr>
</tbody>
</table>
Operating costs

<table>
<thead>
<tr>
<th>Type</th>
<th>Assets</th>
<th>Bedrooms</th>
<th>Average contracted length (weeks)</th>
<th>2015-2016 Rent Per Week (52 weeks)</th>
<th>Total Gross Rent 2015-2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flats</td>
<td>37</td>
<td>82</td>
<td>50-52</td>
<td>£79.26</td>
<td>£3,333,825</td>
</tr>
<tr>
<td>Houses</td>
<td>158</td>
<td>741</td>
<td>50</td>
<td>£76.21</td>
<td>£2,886,922</td>
</tr>
<tr>
<td>Total residential income</td>
<td>195</td>
<td>823</td>
<td>50-52</td>
<td>£76.51</td>
<td>£3,222,747</td>
</tr>
<tr>
<td>Other income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>£14,316</td>
</tr>
<tr>
<td>Administration fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>£80,300</td>
</tr>
<tr>
<td>Total Gross Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>£3,319,363</td>
</tr>
<tr>
<td>Occupancy void at 1.6%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-£38,021</td>
</tr>
<tr>
<td>Utilities (755 tenancies in 2014 - 2015 incl. utility costs)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-£450,380</td>
</tr>
<tr>
<td>Management costs including wages &amp; office rent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-£165,561</td>
</tr>
<tr>
<td>Total net income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>£2,685,601</td>
</tr>
</tbody>
</table>

Occupancy

The Portfolio’s occupancy level as at 25/02/16 was 98.6%. As at 25/02/16, tenancies of 97.3% of the bedrooms (801 of 823) have been agreed for the 2016-2017 student year.

Utility costs

For the 2015/2016 the rent payable of 93.7% (759 bedrooms) of the tenancies were inclusive of utilities. Over the course of the 2014-2015 student year the utilities cost to the landlord equated to the following sum per tenant, internal: £110.19, water: £68.16, electricity: £164.47 and gas: £225.00. Further breakdown is provided within the dataroom.

Management costs

These costs include current staff costs, rent for the premises occupied by the Accommodation Warehouse, insurance of the properties within the portfolio, summer cleaning of the properties, lettings costs and seasonal staff. Further details are provided within the dataroom.

Arrears

A system of parental rental guarantors and predominately joint and multiple tenancies limit the number of non recoverable arrears considerably. As of 26th February 2016 arrears stand at £18,947.28 for the 15/16 academic year including tenants no longer in occupation. Further details will be provided within the dataroom.

Refurbishment programme

The table above excludes refurbishment costs. The properties within the portfolio are subject to a major proactive rolling programme of refurbishment. The landlord has refurbished 46% of the properties with new kitchens and 48% with new bathrooms within the last 3 years. Within the last 3 to 6 years 46% of the properties have had new kitchens installed and 44% new bathrooms.

White goods and furniture

The table above also excludes the cost of white goods and furniture. All of the properties are fully furnished and include fridges, freezers, washing machines, tumble dryers, vacuum cleaners and televisions. The bedrooms are relatively standardized to include a small double bed (4’4’), desk, chest of drawers, wardrobe, bookcase & bedside cabinet.
Households in Multiple Occupation & Article 4 Directive

The current policy of Hull City Council is that properties over 3 or more story’s with 5 or more non-related occupants require to be licensed as Households in Multiple Occupation (HMO). As such 16 properties fall under this legislation, as follows:

<table>
<thead>
<tr>
<th>Street</th>
<th>Number</th>
<th>Dwelling type</th>
<th>Number of bedrooms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alexandra Road</td>
<td>24</td>
<td>Detached</td>
<td>5</td>
</tr>
<tr>
<td>Ash Grove</td>
<td>12</td>
<td>Mid-terrace</td>
<td>7</td>
</tr>
<tr>
<td>Ash Grove</td>
<td>35</td>
<td>Mid-terrace</td>
<td>9</td>
</tr>
<tr>
<td>Beech Grove</td>
<td>1</td>
<td>Detached</td>
<td>8</td>
</tr>
<tr>
<td>Beverley Road</td>
<td>43</td>
<td>End-terrace</td>
<td>10</td>
</tr>
<tr>
<td>De Grey Street</td>
<td>19</td>
<td>Mid-terrace</td>
<td>7</td>
</tr>
<tr>
<td>De Grey Street</td>
<td>21</td>
<td>Mid-terrace</td>
<td>7</td>
</tr>
<tr>
<td>De Grey Street</td>
<td>23</td>
<td>Mid-terrace</td>
<td>7</td>
</tr>
<tr>
<td>De Grey Street</td>
<td>25</td>
<td>Mid-terrace</td>
<td>7</td>
</tr>
<tr>
<td>De Grey Street</td>
<td>27</td>
<td>Mid-terrace</td>
<td>7</td>
</tr>
<tr>
<td>Grafton Street</td>
<td>39</td>
<td>Mid-terrace</td>
<td>5</td>
</tr>
<tr>
<td>Grafton Street</td>
<td>59</td>
<td>Mid-terrace</td>
<td>5</td>
</tr>
<tr>
<td>Grafton Street</td>
<td>61</td>
<td>Mid-terrace</td>
<td>5</td>
</tr>
<tr>
<td>Grafton Street</td>
<td>63</td>
<td>Mid-terrace</td>
<td>5</td>
</tr>
<tr>
<td>Grafton Street</td>
<td>65</td>
<td>Mid-terrace</td>
<td>5</td>
</tr>
<tr>
<td>Grafton Street</td>
<td>67</td>
<td>Mid-terrace</td>
<td>5</td>
</tr>
</tbody>
</table>

The remaining properties within the portfolio that comprise 3-6 unrelated occupants are HMO’s but are not required to be licensed as such at this time.

Any future conversions from dwelling houses to HMO (licensed or otherwise) no longer falls under permitted developments having been removed as such across a wide area surrounding the University of Hull by Hull City Council through an Article 4 Directive.

Hull City Council are being very proactive in enforcing this Article 4 legislation through the courts. This precludes current purchases of private residential properties then being let to students (without the necessary planning consents being secured) and thus enhances the value of the properties within the portfolio which are all exempt from the legislation due to their pre-existing use prior to the implementation of Article 4.

Development potential

Whilst the existing landlords have delivered an extensive program of refurbishment of the properties, there is still considerable scope to add additional accommodation through development, subject to securing the necessary consents from the local authority. Examples include potential building plots (subject to planning) at 64-66 Grafton Street, the rear of 135-139 Sharp Street, the rear of 35-39 Ash Grove, 25a Brooklyn Street and 24a Alexandra Road.
Further information

Energy Performance Certificates
These are contained within the data room and are available upon request. The individual EPC ratings are included within the tenancy schedule provided within the data room.

Legal
All the properties within the portfolio are held freehold.
A data room containing all relevant legal documentation will be made available to interested parties. Walker Morris LLP (Leeds) will be representing the vendors. The lead contact is Ian Hartley.
T: +44 (0)113 283 2500
E: ian.hartley@walkermorris.co.uk

Method of Sale
The portfolio is being offered for sale by way of private treaty. Offers are sought for the freehold interests subject to contract and the current tenancies and leases. Should a closing date be set for the submission of offers, all interested parties will be informed.

Online Dataroom
A data room is available at: www.savills.co.uk/thehumberportfolio containing the following information:
> EPC’s
> Internal and external photographs
> Example ASTs
> Commercial Leases
> Tenancy schedule
> Mapping of properties

VAT
The portfolio is not subject to VAT.

Viewings
Internal inspections will be possible strictly by prior arrangement with the selling agents.
Please contact Savills for details and to arrange an inspection.
Contacts

George Hepburne Scott
Associate Director
Residential Capital Markets – Investment
0207 016 3761
ghscott@savills.com

James Watkins
Investment Surveyor
Residential Capital Markets – Investment
0207 409 8056
jwatkins@savills.com

Matthew Jones
Director
Leeds Development & Investment
0113 220 1522
mjones@savills.com

Important Notice: Savills, their clients and any joint agents give notice that:
1. They are not authorised to make or give any representations or warranties in relation to the property either here or elsewhere, either on their own behalf or on behalf of their client or otherwise. They assume no responsibility for any statement that may be made in these particulars. These particulars do not form part of any offer or contract and must not be relied upon as statements or representations of fact.
2. Any areas, measurements or distances are approximate. The text, photographs and plans are for guidance only and are not necessarily comprehensive. It should not be assumed that the property has all necessary planning, building regulation or other consents and Savills have not tested any services, equipment or facilities. Purchasers must satisfy themselves by inspection or otherwise.

Designed and produced by Savills Marketing 020 7879 4564 | February 2016