

PRESS RELEASE



TRISTAN FUND MAKES £439M INVESTMENT IN UK STUDENT HOUSING JV WITH DOWNING

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An opportunity fund advised by pan-European real estate investment manager Tristan Capital Partners has invested £439 million in a new UK student housing joint venture that it has formed with the Liverpool-based developer-operator Downing.

European Property Investors Special Opportunities IV (EPISO 4) has acquired a 90% interest in the joint venture, which owns a 2,756-bed portfolio of six halls in some of the most vibrant university cities across the UK. It has also committed to a further forward purchase of another residence in Glasgow next year and has the additional option to purchase a prime 32 storey, 578 bed scheme in the heart of Vauxhall, London in 2018, taking the potential number of total beds in the portfolio to 3,644.

Peter Mather, Managing Director of Investments at Tristan Capital, said: “This joint venture allows us to invest in best-in-class, newly purpose-built student accommodation portfolio, located in leading university cities. Having an experienced operating partner is critical for investing successfully in this niche sector and Downing offers a wealth of experience, unrivalled industry relationships and a proven track record as a first class developer and operator.”

Downing will retain a 10% stake in the joint venture, which will acquire the eight assets in two tranches. Downing developed all six of the existing halls in the past two years and will deliver the development in Glasgow and the potential development in London. The management team at its Downing Students affiliate has more than 30 years of operational experience in student accommodation and has a track record of achieving strong occupancy rates.

Simon Garnett, Finance Director of Downing, said: “We are delighted to have completed this agreement with Tristan and look forward to working with them on this portfolio. This partnership further establishes Downing as a major player in the student accommodation sector. Our market-leading portfolio and existing immediate pipeline of developments gives us a strong presence across the UK’s leading universities cities.

“We are proud of our Downing Students brand which has become a hallmark for high-quality, well-managed, innovative developments which offer outstanding pastoral care. This investment strengthens our position to capitalise on additional growth opportunities and will allow us to further our ambitious expansion plans.”

PRESS RELEASE



The eight properties are in close proximity to members of the Russell Group of the UK's top 24 universities. Specifically, they are:

Name	University Served	Number of beds
West Village (Phase I)	Glasgow	701
The Kingfisher	Exeter	203
Cityside	Leeds	474
Verde	Newcastle	543
City Village	Coventry/Warwick	597
New Park	Edinburgh	238
Total		2,756
Planned for 2018		
West Village (Phase II)	Glasgow	310
Atlas, Vauxhall	London	578
Total Portfolio		3,644

While the majority of the 3,644 beds in the future eight-property portfolio will be leased directly to students, 11% are leased directly by the universities themselves and an additional 25% are under nomination agreements with these education establishments.

The number of full time students in the UK has increased by 21.5% since 2005/6, to over 1.7m full-time students in 2015/16¹. However, there remains a structural shortage of supply, with only 30%² of students able to access purpose built student accommodation. In addition, the development pipeline to 2019 is estimated at only 30,000 beds per annum, lagging the forecast increase in student numbers at 60,000 per annum.

Ric Lewis, CEO and Chairman of Tristan Capital Partners, said: "Student accommodation is becoming a mature and liquid asset class and is of increasing attractiveness to institutions based on robust and growing demand for more units of accommodation by the UK higher education institutions and a structural undersupply of purpose-built stock. The majority of purpose built beds are currently owned in small portfolios and there is expected to be further consolidation in the sector, which we are keen to explore."

The joint venture follows EPISO 4's investment in the redevelopment of Plymouth's historic Derry's department store earlier this year. The 'Plymouth Cross project', which received full planning consent in August 2016, involves remodelling, extending and refurbishing the building to create a multi-use asset which includes a 500-bed student accommodation block.

Senior financing for the portfolio was provided by AIG. Advising EPISO 4 on the purchase were BLP, EY and Knight Frank. Downing's advisers were JLL, Hill Dickinson and DLA.

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¹ HESA - the Higher Education Statistics Agency (<https://www.hesa.ac.uk/>)

² Knight Frank: The Student Accommodation Market – Occupational Supply

PRESS RELEASE



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NOTES TO EDITOR

- The number of full time students in the UK has increased by 21.5% since 2005/6, to over 1.7m full-time students in 2015/16³.
- There has been a 3% annual growth rate in university applications, which have increased from 534,000 in 2005/6 to 718,000 in 2015/16, a 3.0% annual growth rate⁴.
- Supply constraints means the development pipeline to 2019 is estimated at only 30,000 beds per annum, lagging the forecast increase in student numbers at 60,000 per annum and putting further pressure on national supply⁵.
- UK student housing has evolved into a mature and liquid market, with transaction volumes reaching £5bn and £3bn in 2015 and 2016 respectively⁶.
- Investment demand for student housing in 2017 has been robust and the full-year investment volume is expected to rise to more than £5bn, close to its 2015 record.⁷

About Tristan Capital Partners

Tristan Capital Partners is an employee-owned investment management boutique specialising in real estate investment strategies across the UK and Continental Europe. Tristan's pan-European real estate funds include core-plus and value-added/opportunistic strategies with total assets under management of over €7 Billion. Tristan is the portfolio manager for core plus funds Curzon Capital Partners III and Curzon Capital Partners IV and for the private equity funds European Property Investors, LP, European Property Investors Special Opportunities, LP and European Property Investors Special Opportunities 3, LP and European Property Investors Special Opportunities 4 LP. Tristan's headquarters are in London and it has offices in Luxembourg, Milan, Paris, Stockholm, Dusseldorf, Madrid and Warsaw.

Please visit www.tristancap.com

³ HESA - the Higher Education Statistics Agency (<https://www.hesa.ac.uk/>)

⁴ UCAS (<https://www.ucas.com/corporate/data-and-analysis>)

⁵ Morgan Stanley Research Report: Property Brexit Repositioning (27 June 2016)

⁶ Knight Frank: UK Student Housing Investment Update, 2017

⁷ Savills, Spotlight – UK Student Housing 2017