

# ALIGNVEST

## STUDENT HOUSING

### MARCH 31, 2020 – MANAGEMENT REPORT

#### HIGHLIGHTS

ASH REIT remains focused on consolidating the fragmented Canadian Purpose-Built Student Accommodation (“PBSA”) market.

On March 11, 2020, the World Health Organization (“WHO”) declared COVID-19 a pandemic. In response, Management made numerous operational changes to mitigate the impact of the pandemic to the REIT’s employees and tenants, and to the REIT’s broader business.

On March 31, 2020, the REIT announced and distributed \$1.50 per REIT Unit (\$6.00 annualized distribution) and Fair Market Value (“FMV”) per REIT Unit of \$112.00 (an increase from \$109.54 as of December 31, 2019). Since inception, ASH has delivered a total return to its initial investors of ~23% (assuming all cash distributions).

#### SUBSEQUENT TO QUARTER END

In the approximately six weeks since March 31, 2020, Management has remained entirely focused on managing the impact of COVID-19. The REIT is on track to realize ~95% of April rents and is projecting similar outcomes over the summer months. Pre-leasing for September 2020 remains robust, with over 87% of the REIT’s beds pre-leased, an increase of 4% relative to this time last year.

On May 1, 2020, the REIT announced Nancy Lockhart’s appointment to its Board of Trustees.

Over the past week, several Canadian universities have announced their plans for September 2020. Management is closely monitoring these announcements to prepare for the potential impact on the REIT’s operations.

Management anticipates resuming its focus on acquisitions shortly given the opportunity to transact at attractive valuations.

#### MANAGEMENT OVERVIEW AND UPDATE

Admittedly, 2020 has so far been very different from the projections we established at the start of the year. When the WHO declared COVID-19 a pandemic in early March, the REIT had three properties under contract to acquire and was negotiating the purchase of three additional properties. In anticipation of closing these acquisitions in Q2 2020, we had raised over \$50 million of cash and expected to continue raising and deploying capital this year. Needless to say, our priorities changed in the face of COVID-19 and we immediately paused our near-term acquisitions, as we believed it was prudent and responsible to preserve our cash for the time being.

Initially, we had substantial concern about our ability to collect rents. We are pleased to report however, that we are on track to collect approximately 95% of April rents, and expect similar outcomes over the summer months. The supply/demand imbalance of high-quality student accommodations is benefitting the REIT, as students (and their parents) are not prepared to default on their leases and potentially have no beds to return to in September 2020.

Recently, the Canadian universities began announcing their plans for September 2020. The headlines are all suggesting that classes will be online; however, the specifics are still being finalized and most universities expect

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to have laboratories, tutorials and smaller group classes held in-person. We expect this hybrid approach will continue through Canadian Thanksgiving and potentially until the end of the calendar year. Our occupancy for September 2020 is currently over 87% and our pre-leasing remains robust. We are finding that students (and their parents) are willing to commit to leases in this environment to have certainty on safe and hygienic accommodations upon return to campus.

Amidst this uncertainty, we are starting to see some attractive acquisition opportunities emerge. With operations largely stabilized, we expect to resume our focus on completing accretive acquisitions over the coming months and we believe that there will be an opportunity to transact at attractive valuations.

We have recently had a couple of changes to our team. On May 1, 2020, Nancy Lockhart joined our board of trustees. Nancy is an extraordinarily accomplished leader with substantial board expertise and an extensive track record of proven real estate and business success. We are looking forward to benefitting from Nancy's experience and leadership. Recently, Jonathan Turnbull departed to pursue another opportunity. Jonathan has been an important member of our team since we launched two years ago, and we thank him for his contributions. As you will read in this report, we are confident that we have a strong team in place to continue executing our long-term objective of owning over \$1 billion of high-quality PBSA assets in Canada.



*Sanjil Shah*  
*Managing Partner*

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### MANAGEMENT & INVESTMENT TEAM UPDATE & BIOGRAPHIES

The REIT is very pleased to welcome Nancy Lockhart to its Board of Trustees. Ms. Lockhart is a highly accomplished business leader with extensive board expertise and has an extraordinary track record of commercial success both in real estate and more broadly. The REIT looks forward to benefitting from Nancy's experience and leadership, and is confident that she will assist in advancing the REIT's ambitious strategy of becoming the nation's premier student housing provider.

Jonathan Turnbull has departed from the REIT. The REIT thanks Jonathan for his contributions. The REIT has a strong team in place to continue executing on its long-term objective of owning over \$1 billion of high-quality PBSA assets in Canada. The investment team includes Sanjil Shah (Managing Partner), Greg Duggan (Vice President), Braydon Myers (Senior Associate) and Jake Mandel (Associate). In addition, the operating team is complemented by Bradley Williams (Vice President) and Amanda Kalbfleisch (Director).

The biographies of Nancy, Greg and Braydon are included below (all biographies are available on the REIT's website):

#### **Nancy Lockhart, Trustee**

Ms. Lockhart is a director of George Weston Limited, Choice Properties REIT and Atrium Mortgage Investment Corporation. Previously, Ms. Lockhart was the Chair of Gluskin Sheff + Associates, Inc., and a director of Loblaw Companies Limited, Canada Deposit Insurance Corporation, Retirement Residence REIT and Barrick Gold Corporation. Additionally, Ms. Lockhart was formerly the Chief Administrative Officer of Frum Development Group and a Vice President of Shoppers Drug Mart Corporation. Currently, she is the Chair Emeritus of Crow's Theatre Company and Director of The Royal Conservatory of Music, and was previously Chair of the Ontario Science Centre, President of the Canadian Club of Toronto, Chair of the Canadian Film Centre, Director of the Centre for Addiction and Mental Health Foundation and Director of The Canada Merit Scholarship Foundation. Ms. Lockhart was awarded the Order of Ontario in 2006.

#### **Greg Duggan, Vice President**

Greg Duggan is a Vice President at Alignvest Management Corporation. Since joining Alignvest in 2016, Mr. Duggan has worked on a number of the firm's initiatives including the acquisitions of Sagicor Financial Corporation and Trilogy International Partners, the fundraising for Alignvest Acquisition II Corporation, and the ongoing portfolio management of a number of Alignvest's businesses including Edgewood Health Network, Trilogy International Partners, Alignvest Student Housing, and Alignvest Investment Management. During this time, Mr. Duggan has also been actively involved in evaluating new investment opportunities for Alignvest. Prior to joining Alignvest, Mr. Duggan was an Associate at Onex Partners focused on evaluating private equity investments across a number of industries, including Onex's investments in BBAM, FLY Leasing, and Meridian Aviation. Mr. Duggan began his career in the investment banking division of Credit Suisse in Toronto where he advised companies on M&A, equity, and debt transactions with coverage focused on the natural resource and diversified sectors. Mr. Duggan holds an MBA from Harvard Business School, a Bachelor of Commerce (Honours) from Queen's University and is a CFA charterholder.

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### **Braydon Myers, Senior Associate**

Braydon Myers is a Senior Associate at Alignvest Management Corporation. Since joining Alignvest, Mr. Myers has been actively involved in evaluating new investment opportunities and has been responsible for the portfolio management of existing Alignvest investments, notably Edgewood Health Network and Trilogy International Partners. Prior to joining Alignvest, Mr. Myers was an investment banking analyst in the Mergers & Acquisitions and Real Estate groups at BMO Capital Markets in Toronto. While at BMO, Mr. Myers was responsible for evaluating and executing M&A and capital markets transactions across a number of industries. As part of his role, Mr. Myers was involved in advising Pure Industrial Real Estate Trust (PIRET) on its sale to Blackstone. Mr. Myers earned a Bachelor of Business Administration from Wilfrid Laurier University and graduated with Distinction

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### COVID-19 UPDATE

Management continues to work very closely with the property-level teams to help them navigate through the current uncertainty; to put in place the necessary precautions to ensure the health and safety of all employees, tenants, and third-party providers; and to plan for a multitude of scenarios that could affect the operational performance of the business.

In response to the COVID-19 crisis, Management suspended its evaluation of new investment opportunities to properly focus efforts on the REIT's existing asset base. Furthermore, Management has postponed non-essential capital expenditures, optimized property-level headcount to offset potential revenue losses, and maintained full transparency with auditors, lenders, appraisers and investors. Management has also evaluated numerous scenarios assessing the economic impact to the REIT that may result from the Canadian universities' decisions with respect to their operations for the 2020/2021 academic year. In all scenarios, Management is confident that the REIT can sustain its current distributions and service all debt obligations.

Management believes that the REIT's strategy of investing in high-quality, institutional-grade, real assets that have attractive inflation protection characteristics will allow the REIT to emerge from the COVID-19 pandemic relatively unscathed – consistent with the performance of student housing assets in the United States during the 2008 Great Financial Crisis, where student housing was the best performing real estate asset class.

In addition to the aforementioned initiatives, Management has also implemented the following at each property:

- Launched a robust information sharing program to ensure tenants and employees are well informed about COVID-19 and the steps they can take to protect themselves;
- Followed the REIT's Pandemic Protocol Plan that is part of its Emergency Operations manual;
- Added additional cleaning to all common areas, including elevator buttons, door handles and call panels, exceeding the Public Health Ontario guidelines on cleaning and disinfection for public settings;
- Organized multiple back-up options for on-site cleaning services, if necessary, for each property;
- Added hand sanitizer stations throughout buildings;
- Closed all common areas and cancelled all community events;
- Enforced limitations on the number of people that can use the elevator at the same time;
- Eliminated non-essential maintenance work in common areas and in-suites;
- Moved to an online communication system between residents and office/maintenance staff;
- Required social distancing initiatives for both residents, employees and their interaction;
- Set-up remote working capabilities for all employees;
- Developed a work-from-home program for employees to include a distance learning component;
- Used virtual tours to show properties to prospective tenants;
- Committed that all staff and third-party cleaners on-site will be symptom free;
- Developed property specific protocols for all employees that visit the properties; and
- Encouraged residents to continue to pay by Pre-Authorized Payment.

Management is pleased to report that the measures have been successful, as there have been no known tenants or employees that have, or have had, COVID-19.

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### University Outlook:

Due to the COVID-19 pandemic, Canadian universities elected to shut down on-campus classes in March 2020, which resulted in some students leaving campuses and returning home; however, a significant number of students have remained in their university residences. The majority of the students that have remained in their accommodations are international students, as they were unable to return home due to travel restrictions or were concerned about the ability to return to Canada once classes eventually resume. This has resulted in a unique operational dynamic for the REIT, as the operations had to be appropriately adjusted to facilitate socially-distanced procedures, while accommodating students who have historically returned home during the summer months.

In an effort to plan appropriately for the academic year beginning in September 2020, Management continues to be in active, weekly dialogue with universities to better anticipate and assess the implications of their decisions. Canadian universities have commenced unveiling their plans for the upcoming academic year and it is expected that further announcements will be made and additional details will be provided over the next few weeks. However, Management notes that the recent reductions in government funding for post-secondary education in response to the COVID-19 pandemic are likely to place significant pressure on Canadian universities to resume classes this Fall. For example, the government of Alberta is expected to reduce university funding by 20%<sup>1</sup> over the next three years, and universities in Manitoba have been instructed to cut costs by up to 30%<sup>2</sup>. Nevertheless, given the risks associated with a possible “second wave” of COVID-19, Management’s understanding is that universities are evaluating a number of contingency plans in the event in-class sessions are not possible, including:

- Contingency A – Fall semester fully online;
- Contingency B – Combination of in-person and virtual learning; lecture formats online, and labs, simulations and assessments are in-person;
- Contingency C – Delay the start of the school year until Canadian Thanksgiving; or
- Contingency D – Delay the start of the school year until January 2021.

Whatever the outcome, Management has put in-place numerous strategies at each property to facilitate the best possible experience for both in-person and online learning.

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<sup>1</sup> <https://www.cbc.ca/news/canada/edmonton/universities-colleges-technical-institutes-post-secondary-1.5489585>

<sup>2</sup> <https://www.cbc.ca/news/canada/manitoba/manitoba-universities-budget-cuts-pandemic-1.5537883>

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### Official University Updates:

The following major universities have publicly announced their intentions for the fall 2020 school year:

| University                     | Announced Fall 2020 Plans   |
|--------------------------------|---|
| University of Western Ontario  | Mixed model: blend of online and in-person learning   |
| McGill University              | Primarily online learning; continuing to explore in-person opportunities  |
| University of British Columbia | Online learning for larger classes; in-person learning for smaller classes  |
| University of Manitoba         | Online learning for the first semester; optional learning period will be created in January 2021 for students to conduct essential in-person activities |
| University of Regina           | Online learning   |
| University of Ottawa           | Online learning option for as many courses as possible; continuing to evaluate options for in-person learning   |
| University of Saskatchewan     | Primarily online learning with limited essential activities such as labs and clinical courses occurring in-person                                       |
| University of Victoria         | Predominantly online learning with further considerations for limited in-person courses   |
| St. Francis Xavier University  | Classes will begin in-person; established a task force to determine if transition to online learning is necessary                                       |
| Simon Fraser University        | Majority of classes will be conducted online, if possible, but co-curricular and extra-curricular programs will proceed in-person                       |

### Pre-Leasing and Collections Update:

With students returning home following the campus shutdowns in March, Management was initially concerned about rent collection. The REIT, along with its peers in the United States, initially estimated that bad debt expenses would increase to ~20% of revenue; however, this spike in uncollectible accounts has not occurred. Management is pleased to report that rent collections in April are only 2% lower than the previous month, and the REIT continues to have strong collection rates in May. While the REIT typically operates with bad debt expense levels of ~0.5%, the April collections figure is very positive given the uncertain environment.

Additionally, Management was concerned that students would be unwilling to execute new lease agreements ahead of knowing what learning model universities would adopt for the coming academic year, placing downward pressure on the REIT's pre-leasing figures. Once again, Management was positively surprised. The portfolio has pre-leased over 87% of its beds for September 2020, without any price concessions, and has seen a constant flow of new leases being executed over the past nine weeks. Since March 12<sup>th</sup>, the REIT has conducted over 80 virtual tours and has signed 110 new leases. Based on conversations with parents and students, Management understands that this is due to the quality of the accommodations the REIT offers; the buildings are newer, cleaner, and provide superior amenities relative to other PBSA assets and traditional

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student housing alternatives. Confronted by COVID-19, parents are eager to ensure safe and secure living accommodations for their children in September.

### **Financial Update:**

Over the last two years, Management has been highly focused on acquiring assets. The REIT completed seven acquisitions, had six properties under various stages of due diligence when COVID-19 was declared a pandemic, and had a very robust acquisition pipeline. Additionally, the REIT's success-to-date created significant demand from prospective investors, allowing the REIT to accumulate a cash balance of ~\$55 million as of March 31, 2020. Although Management's initial intentions were to quickly deploy this capital into new, accretive acquisitions, the uncertainty related to the COVID-19 pandemic led Management to suspend its evaluation of new investment opportunities to properly focus on the REIT's existing asset base. Management believes that potential vendors of assets are not as well capitalized as the REIT and are likely to experience significant financial pressure over the next few months, leading to potentially more attractive acquisition terms following a return to normalcy. Furthermore, maintaining a sizeable cash balance serves as a hedge against unforeseen negative developments for the REIT: the cash position can cover two full years of debt service and distributions to unitholders, and Management believes this would continue to be the case even if vacancies increase by 30-40%.

In summary, the REIT was in an exceptionally strong financial position prior to the onset of the COVID-19 pandemic, and Management expects the REIT to emerge in a comparatively strong position with a number of accretive acquisitions in front of it.

### **Recent Changes to Combat COVID-19:**

#### Tenant Experience During COVID-19:

In the event that the Fall 2020 semester is entirely online, the REIT is prepared to alter its traditional tenant experience to better align with the needs of socially distant student communities and with the provision of an online education. While in-class activities may be suspended, Management firmly believes there is substantial benefit to living in purpose-built student housing while learning online. Recently, the REIT has adapted the messaging to portray to tenants (and to parents) the benefit of living in the properties this Fall. New strategies to adapt to the upcoming fall semester include:

- Creating healthy and safe spaces in the fitness and games room (limiting occupancy, pre-booking, cleaning in between users), as well as offering online fitness programs;
- Strengthening internet capabilities to increase speed and the number of private devices registered per network;
- Social influencers at every property to drive community building and networking through social media;
- Streamlining grocery delivery and offering in-suite cleaning with appropriate safety considerations; and
- "Virtual" maintenance requests via FaceTime or Zoom to help with common, simple fixes.



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### Operations:

Deemed an essential service, the REIT's maintenance and administrative teams are critical to the safety of its tenants. The office and maintenance teams have adjusted to provide seamless service delivery, while adhering to proper safety precautions.

The front-office remains open for all telephone and email inquiries, with in-person meetings occurring after proper screening procedures have been observed. As mentioned above, the REIT continues to execute leases at an encouraging pace, facilitated by virtual tours, FaceTime, and online lease signing.

Management has also consulted with counsel to properly triage between essential and non-essential work orders per the Residential Tenancies Act. Emergency and essential work orders continue to be completed in a time-sensitive manner, while non-essential work orders have been rescheduled until restrictions are lifted. All staff entering tenant units are required to wear proper Personal Protective Equipment ("PPE") to minimize the risk of infection to both staff members and students alike, and where possible, units are left empty for three days to reduce possible infection following a vacancy.

Finally, the REIT is conducting supplemental cleaning at all properties. Common touch points are sanitized multiple times per day, a 24-hour cleaning schedule is in-place, and additional hand sanitization stations have been placed in common areas. Although in-suite cleaning is suspended to reduce possible suite-to-suite transmission, this will restart following the lifting of restrictions.

### Communication:

With 17Hundred (formerly Village Suites Oshawa) and 1Eleven heading into their busiest leasing months, property-level messaging has shifted to highlight the benefits of living near campus even if universities adopt a temporary online learning model, including:

- Top-tier internet, with private networks, available to all residents at no additional cost;
- Student networking and community building events designed to reduce feelings of isolation;
- Being closer to their friends and classmates as restrictions start to lift;
- Closer to campus to access meetings with professors and teaching assistants; and
- Access to campus resources, such as the library and gym during reopening.

Social campaigns have also been adapted to reflect the new messaging and are beginning mid-May for both Oshawa and Ottawa.

Finally, a critical part of the REIT's communication plan has been keeping current residents and parents informed. Communication delivery is varied and includes emails, website notices, social media, mass texting and building notices. This communication describes the various actions the REIT has taken, including updates on sanitization protocols, maintenance, staffing hours, as well as where to seek financial assistance and how to practice proper hand hygiene.

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### Q1 2020 REIT PERFORMANCE

On March 31, 2020, the REIT distributed \$1.50 per REIT Unit (\$6.00 annualized distribution) payable to Unitholders of record on January 1, 2020 and the FMV per REIT Unit increased from \$109.54 to \$112.00.

Management believes the REIT's distributions to date, combined with the FMV per REIT Unit increase, is an attractive result for Unitholders relative to (a) the underlying risk of the core property portfolio and (b) the public markets. Since inception, Unitholders have realized a 22.5% total return on their Units (assuming all cash distributions), despite the REIT holding substantial amounts of cash. Over the same period, the S&P/TSX Composite Index returned -22.1% (June 29, 2018 to March 27, 2020).

The increase in the value of REIT Units during the first quarter is primarily a result of the 12% increase in Net Operating Income ("NOI") realized in 2019 and the recent execution of certain revenue generating and expense reduction strategies that have been implemented across the portfolio. Management believes the REIT is well-positioned with its current capitalization, asset base and acquisition pipeline to grow its FMV per Unit consistently over the long-term.

|   | <b>March 31, 2020</b> |                 |                 |                 |                 |
|---|-----------------------|-----------------|-----------------|-----------------|-----------------|
| Investments in Real Properties                        | \$406,700,000         |                 |                 |                 |                 |
| Cash & Cash Equivalents                               | 55,502,778            |                 |                 |                 |                 |
| Other Assets  | 882,051               |                 |                 |                 |                 |
| Debt Obligations                                      | (231,527,626)         |                 |                 |                 |                 |
| Other Liabilities and Performance                     | (15,713,586)          |                 |                 |                 |                 |
| <b>Fair Market Value (Pre-Distribution)</b>           | <b>\$215,843,617</b>  |                 |                 |                 |                 |
| Less - Distribution to Unit Holders                   | (2,703,513)           |                 |                 |                 |                 |
| Less - Distribution to General Partner <sup>(1)</sup> | (901,171)             |                 |                 |                 |                 |
| <b>Fair Market Value (Post-Distribution)</b>          | <b>\$212,238,933</b>  |                 |                 |                 |                 |
| Number of Units outstanding                           | 1,895,194             |                 |                 |                 |                 |
|   | Per REIT Unit         |                 |                 |                 |                 |
|   | 31-Mar-19             | 30-Jun-19       | 30-Sep-19       | 31-Dec-19       | 31-Mar-20       |
|   | <b>\$103.83</b>       | <b>\$106.56</b> | <b>\$109.10</b> | <b>\$111.54</b> | <b>\$114.00</b> |
| Distribution to REIT Unit Holders                     | (1.50)                | (1.50)          | (1.50)          | (1.50)          | (1.50)          |
| Distribution to General Partner                       | (0.50)                | (0.50)          | (0.50)          | (0.50)          | (0.50)          |
|   | <b>\$101.83</b>       | <b>\$104.56</b> | <b>\$107.10</b> | <b>\$109.54</b> | <b>\$112.00</b> |

(1) The Distribution to Alignvest Student Housing Inc. ("General Partner") is an incentive allocation calculated as 25% of the total distributions. The General Partner receives no annual management, transaction fees, financing fees, etc.

Although the REIT currently holds a substantial cash balance, which negatively affects returns, Management believes that the REIT's cash balance acts as a hedge against future uncertainty and will allow the REIT to capitalize on future accretive acquisitions.

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### CAPITALIZATION

The REIT is very well capitalized and has the ability to withstand the current COVID-19-driven market volatility. The REIT held \$406.7 million in PBSA assets as of March 31, 2020 and had a cash balance of over \$55 million. Including the additional capital raised on April 1, 2020, the REIT had an equity value of over \$213 million and leverage at ~57% LTV, and has no debt coming due in the near-term, which provides it with substantially flexibility over the long-term.

### PROPERTIES

As of March 31, 2020, the REIT owned seven properties with 3,322 beds in four tier-1 university markets across Ontario. Prior to COVID-19, Management had six properties under various stages of diligence and contracts, five of which were in Eastern Canada and one in Western Canada, which would have increased the portfolio's bed count by over 1,100 beds. Management continues to evaluate these acquisition opportunities and has started to have in-depth conversations on several other acquisition candidates.

| Property         | Market       | Targeted University  | Units      | Beds         | Acquired |
|------------------|--------------|--|------------|--------------|----------|
| 181 Lester St.   | Waterloo, ON | University of Waterloo & Wilfrid Laurier University            | 91         | 455          | Aug 2018 |
| 111 Cooper St.   | Ottawa, ON   | University of Ottawa   | 224        | 357          | Nov 2018 |
| 265 Laurier Ave. | Ottawa, ON   | University of Ottawa   | 159        | 518          | Mar 2019 |
| 333 King St.     | Waterloo, ON | University of Waterloo & Wilfrid Laurier University            | 126        | 536          | Apr 2019 |
| 339 King St.     | Waterloo, ON | University of Waterloo & Wilfrid Laurier University            | 80         | 419          | Apr 2019 |
| 1686 Main St.    | Hamilton, ON | McMaster University  | 107        | 449          | Apr 2019 |
| 1700 Simcoe St.  | Oshawa, ON   | University of Ontario Institute of Technology & Durham College | 133        | 588          | Apr 2019 |
| <b>Total</b>     |              |  | <b>920</b> | <b>3,322</b> |          |

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### 181 Lester Street (“Lester”)



|                      |  |
|----------------------|--|
| Property Name:       | MyRez  |
| Year Built:          | 2014   |
| Property Manager:    | CSL / CLC  |
| Proximity to Campus: | 0.4km  |
| Investment Date:     | August 2018  |
| Purchase Price:      | \$45,500,000   |
| Ownership:           | 100.0%   |
| Property Website:    | <a href="http://www.offcampusrez.com">www.offcampusrez.com</a> |

### 111 Cooper Street (“Cooper”)



|                      |  |
|----------------------|--|
| Property Name:       | 1Eleven  |
| Year Built:          | 2014/15  |
| Property Manager:    | CSL / CLC  |
| Proximity to Campus: | 0.4km  |
| Investment Date:     | November 2018                                      |
| Purchase Price:      | \$55,000,000                                       |
| Ownership:           | 100.0%   |
| Property Website:    | <a href="http://www.1eleven.ca">www.1eleven.ca</a> |

### 265 Laurier Avenue East (“Laurier”)



|                      |  |
|----------------------|--|
| Property Name:       | The Annex  |
| Year Built:          | 2018   |
| Property Manager:    | University of Ottawa   |
| Proximity to Campus: | 0.3km  |
| Investment Date:     | March 2019   |
| Purchase Price:      | \$92,000,000   |
| Ownership:           | 100.0%   |
| Property Website:    | <a href="http://www.uottawa.ca/housing/">www.uottawa.ca/housing/</a> |

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### 333 King Street North (“King I”)



|                      |  |
|----------------------|--|
| Property Name:       | King Street Tower I  |
| Year Built:          | 2011   |
| Property Manager:    | CSL / CLC  |
| Proximity to Campus: | 0.4km  |
| Investment Date:     | April 2019   |
| Purchase Price:      | \$53,319,372   |
| Ownership:           | 100.0%   |
| Property Website:    | <a href="http://www.kingstreettowers.ca">www.kingstreettowers.ca</a> |

### 339 King Street North (“King II”)



|                      |  |
|----------------------|--|
| Property Name:       | King Street Tower II   |
| Year Built:          | 2013   |
| Property Manager:    | CSL / CLC  |
| Proximity to Campus: | 0.4km  |
| Investment Date:     | April 2019   |
| Purchase Price:      | \$41,680,628   |
| Ownership:           | 100.0%   |
| Property Website:    | <a href="http://www.kingstreettowers.ca">www.kingstreettowers.ca</a> |

### 1686 Main Street West (“Main”)



|                      |  |
|----------------------|--|
| Property Name:       | West Village Suites  |
| Year Built:          | 2008   |
| Property Manager:    | CSL / CLC  |
| Proximity to Campus: | 0.9km  |
| Investment Date:     | April 2019   |
| Purchase Price:      | \$45,000,000   |
| Ownership:           | 100.0%   |
| Property Website:    | <a href="http://www.westvillagesuites.ca">www.westvillagesuites.ca</a> |

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### 1700 Simcoe Street North (“Simcoe”)



|                      |  |
|----------------------|--|
| Property Name:       | 17Hundred  |
| Year Built:          | 2010   |
| Property Manager:    | CSL / CLC  |
| Proximity to Campus: | 0.6km  |
| Investment Date:     | April 2019   |
| Purchase Price:      | \$30,000,000   |
| Ownership:           | 100.0%   |
| Property Website:    | <a href="http://www.villagesuitesoshawa.ca">www.villagesuitesoshawa.ca</a> |

Management is excited to announce the brand launch of 17Hundred, formerly known as Village Suites Oshawa. We are very pleased with the tenant base and staffing transition which has created a strong, collegiate environment at the property. The year-long process of strengthening applicant and guarantor requirements and of transforming the staffing structure to improve professionalism has been wholly successful.

Additionally, as 17Hundred is the only PBSA asset in Oshawa with condominium-style amenities, Management decided to renovate the common areas, which allows the REIT to better capitalize on the property’s competitive advantage and expedite the leasing process. The interior of the building now matches modern design trends, and better competes with newer PBSA products.

#### Pre-Renovation:



#### Post-Renovation:



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### M & A ENVIRONMENT

COVID-19 has materially affected the M&A environment. No transactions have closed during the quarter and every transaction-in-process has been delayed or cancelled. In similar fashion as the REIT, other owners and operators of student housing accommodations have focused on optimizing their existing asset base, including ensuring rent is collected and pre-leasing targets are achieved.

While this has also been the REIT's focus, Management continues to have active discussions with owners of institutional-quality PBSA assets worth in excess of \$500 million at valuations that remain 100 to 200bps above local multi-family apartments, assuming no in-house operating synergies are realized with the REIT's current portfolio. Management is maintaining its dual focus on consolidating assets in existing markets to realize local synergies, while also striving to expand the portfolio outside Ontario, to further solidify the REIT's position as a national market leader.

As mentioned above, the REIT is exceptionally well capitalized, allowing it to move quickly to complete opportunistic acquisitions in the current environment. With potential vendors (and other PBSA owners) lacking comparatively strong balance sheets, Management is confident that it will be in a position to capitalize on more attractive asset pricing in the near future. To that end, Management is renegotiating with the vendors of the six assets that it previously had under due diligence, LOI and purchase and sale agreements, and Management also continues to issue new LOIs to owners of attractive assets. Despite this turbulence, the REIT is committed to capitalizing on its first-mover advantage and its current market leadership position.

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### FINANCING ENVIRONMENT

#### Debt Markets

Throughout the COVID-19 pandemic, Management has had regular dialogue with various lenders to understand the current debt market environment for new financings, debt refinancing and acquisition financing facilities. Based on these conversations, Management believes that attractive financing could be available for the types of tier-1 assets the REIT seeks to acquire. Furthermore, Management has the ability to leverage the strong relationships it has developed with lenders and brokers alike to ensure that financing is available in the event it is required.

Longer term, Management believes this turbulence will demonstrate to lenders the recession-resistant nature of student housing in Canada, which should provide the REIT with access to even more attractive mortgage financing for acquisitions.

The weighted average interest rate on debt and maturity for the debt portfolio is 3.6% and ~5 years, respectively.

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## STUDENT HOUSING

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### Equity Markets

In light of its past performance, the REIT has been very successful at raising equity capital, which will fuel the next phase of acquisitive growth. Year-to-date, the REIT has secured over \$35 million of subscriptions, positioning it well to weather the current turbulence and to capitalize on accretive acquisitions in the near term.

Separately, Management has elected to postpone its transition from a quarterly subscription, redemption and distribution policy to a monthly process. Given the market uncertainty, a number of REITs have recently issued a FMV with material uncertainty clauses, or decided to close as a result of being unable to objectively determine a fair valuation to their current and future shareholders. Management expects that by remaining on a quarterly cycle, the REIT will have the ability to determine a FMV that is acceptable to its Board of Trustees, auditors and valuers on June 30, 2020.



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## STUDENT HOUSING

### CONFERENCE CALL DETAILS

Management will host a conference call to discuss the REIT's Q1 2020 operating performance and the REIT's longer-term strategy on May 28, 2020 at 2:00PM EST. Please register for the call using the following hyperlink:

[Q1 2020 Conference Call](#)

### STANDARD DISCLOSURE

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