

## September 30, 2021 – MANAGEMENT REPORT

*Note: All dollar references herein are in Canadian dollars.*

Alignvest Student Housing Real Estate Investment Trust (“ASH REIT”) is focused on consolidating the fragmented, institutional-grade, purpose-built student accommodation (“PBSA”) real estate sector across Canada.

### OBJECTIVES

- ✓ To build a diversified investment portfolio of income-producing purpose-built student accommodations in Canada by acquiring properties at attractive valuations;
- ✓ To improve operating results and reduce risks with professional operations and management; and
- ✓ To deliver attractive and tax-efficient monthly distributions and long-term capital appreciation to investors.

### Q3 2021 HIGHLIGHTS

- ✓ As at September 30, 2021, ASH REIT announced a Fair Market Value (“FMV”) of \$114.50 per Class F Unit and \$113.63 per Class A Unit (collectively with Class F Unit, the “REIT Unit”) and declared a monthly distribution of \$0.50 per REIT Unit (\$6.00 annualized distribution).
- ✓ Delivered total returns of 37.5% and annualized returns of 10.3% (to initial Class F unitholders since inception of ASH REIT in June 2018), assuming DRIP participation.
- ✓ Achieved overall occupancy of 96% at ASH REIT’s properties as of September 30, 2021.
- ✓ Completed the acquisition of THEO, a high-quality, mixed-use, student housing asset in Ottawa with 507 beds and ~18,000 square feet of commercial space. Post-closing, Management increased the property’s bed count to 528 through unit renovations, bringing the REIT’s total portfolio bed count from 4,696 to 4,717.

## REIT FACTS

### ASH REIT DETAILS

<b>Fund Type</b>	Mutual Fund Trust
<b>Fundserv Code</b>	ASH 100 – Class F Unit ASH 101 – Class A Unit
<b>Fund Status</b>	Offering Memorandum
<b>Inception Date</b>	June 2018
<b>Registered Plan Status</b>	Eligible (RRSP, RRIF, TFSA)
<b>Investment Minimum</b>	\$25,000 (Accredited Investors)
<b>Minimum Subsequent Investment</b>	\$1,000
<b>Purchases / Redemptions / Valuations</b>	Monthly
<b>Periodic Distributions</b>	Monthly
<b>Management Fee (Indirectly at CSL)</b>	Class F Units – Nil Class A Units – 1% per annum of net asset value of corresponding Class A Units of CSL, plus taxes
<b>Early Redemption Penalty</b>	Less than 1 Year: 5% 1 to 3 Years: 3% After 3 Years: 0%

### ASH REIT HIGHLIGHTS – September 30, 2021

<b>Property Appraised Value</b>	\$670.1 million
<b>Bed Count</b>	4,717
<b>Loan to Value</b>	~63.5%
<b>Fair Market Value per Unit</b>	Class F Unit – \$114.50 Class A Unit – \$113.63
<b>Annual Distribution per Unit</b>	\$6.00
<b>Distribution Yield to Unitholders of Class F Unit (RoC)</b>	5.24%
<b>Targeted Long-Term Returns – Class F Unit</b>	~15% (Net of Fees)

## MANAGEMENT OVERVIEW

Q3 2021 included the long-anticipated resumption of in-person classes at Canadian universities, making this arguably the most important period in our short history. We are extremely pleased to see students return to campus and confirm that online classes have not disrupted the traditional in-person teaching model.

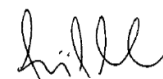
In Q3 2021, we experienced robust leasing activity and acquired a best-in-class property near the University of Ottawa, a market in which we already own two properties and a university with which we have a very strong relationship.

We have continued to focus on operations and growth, while maintaining the health and safety of our team and residents at our properties. As a result of universities announcing vaccine requirements for on-campus residences and activities, the university environment is beginning to resemble pre-pandemic times. August and September 2021 have been two of our busiest months, with high demand for beds keeping our leasing team busy through August and our property management team welcoming students back to our properties in September. We have returned to pre-pandemic occupancy with 96% of our beds leased for the 2021/2022 school year, and we are continuing to see additional interest from students who are still making plans to return for January 2022.

In Q3 2021, we successfully closed the acquisition of THEO, a 507-bed purpose-built student accommodation with ~18,000 square feet of ground-floor retail space. Since closing, unit renovations were completed which increased the bed count to 528-beds. We were successful in securing attractive financing for this deal and are proud of this high quality addition to our portfolio, further solidifying our position in Ottawa and across the country as the premier student housing owner and operator.

Earlier in 2021, we acquired two properties in Waterloo, Preston House and Bridgeport House. We were successful in increasing the 2021/22 pre-leasing from ~30% at closing to over 98% at both properties for the 2021/22 academic year, as of September 30, 2021. We are encouraged by the interest that residents have in living at these properties, which consist of 795 beds, all with en-suite bathrooms.

We are positive about the outlook for the health of Canadians, our ability to operate successfully and raise capital to acquire additional properties for our portfolio, while at the same delivering attractive returns to our investors and providing safe accommodations for our residents.



*Sanjil Shah*  
Managing Partner

## Q3 2021 REIT PERFORMANCE

As at September 30, 2021, ASH REIT's properties were appraised at \$670.1 million, resulting in a FMV of \$114.50 per Class F Unit and \$113.63 per Class A Unit. On October 15, 2021, ASH REIT distributed \$0.50 per REIT Unit (\$6.00 annualized distribution) payable to Unitholders of record on September 30, 2021.

Management believes ASH REIT's distributions to date, combined with the FMV per REIT Unit increase since inception, is an attractive result for Unitholders relative to (a) the underlying risk of the portfolio, (b) the public markets, and (c) the resiliency demonstrated through the COVID-19 pandemic. Since inception, Class F Unitholders have realized a 37.5% total return (for the period June 30, 2018 to September 30, 2021), assuming DRIP participation.

	<b>September 30, 2021</b>
Investments in Real Properties	\$667,839,000
Cash & Cash Equivalents	19,343,383
Other Assets	2,142,133
Debt Obligations	(425,817,615)
Other Liabilities and Performance	(22,894,715)
<b>Fair Market Value (Pre-Distribution)</b>	<b>\$240,612,186</b>
Less - Distribution to Unitholders	(1,044,602)
Less - Distribution to General Partner	(348,201)
<b>Fair Market Value (Post-Distribution)</b>	<b>239,219,383</b>
Number of Class F Units outstanding	2,087,411
Number of Class A Units outstanding	1,785

	<b>31-May-21</b>	<b>30-Jun-21</b>	<b>31-Jul-21</b>	<b>31-Aug-21</b>	<b>30-Sep-21</b>
Fair Market Value per Class F Unit	\$113.00	\$114.00	\$114.00	\$114.00	\$114.50
Fair Market Value per Class A Unit	\$112.60	\$113.47	\$113.37	\$113.25	\$113.63

*Note: 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.*

<b>Calendar Returns – Class F Units</b>			
<b>2018<sup>(1)</sup></b>	<b>2019</b>	<b>2020</b>	<b>YTD<sup>(2)</sup></b>
3.7%	15.3%	8.0%	6.5%

<b>Compounded Returns – Class F Units</b>			
<b>1-Year</b>	<b>2-Year</b>	<b>3-Year</b>	<b>Since Inception<sup>(3)</sup></b>
9.2%	9.2%	10.6%	10.3%

(1) For partial year from June 2018 to December 2018.

(2) For the period from January 2021 to September 30, 2021.

(3) For the period from June 2018 to September 30, 2021.

## PROPERTIES

ASH REIT's portfolio currently consists of 11 properties with 4,717 beds in five tier-1 university markets across Canada.

Address	Name	Market	Targeted University	Units	Beds	Acquired
181 Lester St.	myREZ	Waterloo, ON	University of Waterloo & Wilfrid Laurier University	91	455	Aug 2018
111 Cooper St.	1Eleven	Ottawa, ON	University of Ottawa & Carleton University	224	357	Nov 2018
265 Laurier Ave.	Annex	Ottawa, ON	University of Ottawa	159	518	Mar 2019
333 King St.	KST I	Waterloo, ON	University of Waterloo & Wilfrid Laurier University	126	536	Apr 2019
339 King St.	KST II	Waterloo, ON	University of Waterloo & Wilfrid Laurier University	80	419	Apr 2019
1686 Main St.	West Village Suites	Hamilton, ON	McMaster University	107	449	Apr 2019
1700 Simcoe St.	17Hundred	Oshawa, ON	University of Ontario Institute of Technology & Durham College	133	588	Apr 2019
11024 82 Ave.	1Ten on Whyte	Edmonton, AB	University of Alberta	37	72	Aug 2020
315 King St.	Preston House	Waterloo, ON	University of Waterloo & Wilfrid Laurier University	62	310	Mar 2021
324 Regina St.	Bridgeport House	Waterloo, ON	University of Waterloo & Wilfrid Laurier University	97	485	Mar 2021
305 Rideau St.	THEO	Ottawa, ON	University of Ottawa & Carleton University	193	528	July 2021
<b>Total</b>				<b>1,309</b>	<b>4,717</b>	

## THEO – OTTAWA, ONTARIO



On July 30, 2021, ASH closed the acquisition of THEO, a recently renovated, multi-unit student housing building located at 305 Rideau Street in Ottawa, Ontario. The 12-storey building is comprised of 193 units and 528 beds. At closing, the property contained 507 beds; however, Management successfully renovated several units to increase the bed count from 507 to 528. THEO offers top of the market interior finishes including a premium modern furniture package, stainless steel appliances, quartz countertops and in suite laundry. THEO features a mix of one-, two-, three-, four- and five-bedroom units, with varying layouts allowing different student preferences to be satisfied.

In addition to the residential space, there is approximately 18,000 square feet of street level retail space with Bank of Montreal, PiCo and Dollarama occupying over 14,000 square feet. There has been an additional retail lease executed for approximately 2,000 square feet, resulting in 16,000 of the 18,000 square feet being occupied for Q1 2022. Management is currently working on securing a lease for the remaining 2,000 square feet.

Management structured this transaction to include both a residential and commercial rental guarantee to hedge against vacancy loss that may have resulted from the transaction closing only a few weeks prior start of the school year. Residential rent is guaranteed at market rents for beds unoccupied as of September 1, 2021 for a one-year period and the commercial rent on vacant space is guaranteed for two years at the expected market rate, ultimately providing the REIT with net operating income stability for the 2021/22 academic year.

## OPERATIONS AND LEASING UPDATES

ASH REIT is encouraged by post-secondary institutions resuming in-person teaching and activities for the 2021/22 academic year. As campuses re-opened, there was an increased need for high quality off-campus student housing.

Since the onset of COVID-19, Management has been encouraged by ASH REIT's maintenance of occupancy and students' desire to reside in university cities with their peers, regardless of their university's teaching approach (online, hybrid or in-person).

Leasing for the September school year has approached full occupancy. Management is pleased to report that ASH REIT's property in Hamilton, West Village Suites, and two properties in Waterloo, King Street Towers I & II, are 100% leased. Additionally, occupancy is approaching 100% at all other sites, resulting in overall portfolio occupancy of 96%.

Property	Total Beds	Occupied Beds	Occupancy (as at Q3 2021)
King Street Tower I	536	536	100%
King Street Tower II	419	419	100%
West Village Suites	449	449	100%
1Ten on Whyte	72	71	99%
Bridgeport House	485	475	98%
Preston House	310	305	98%
MyRez	455	437	96%
17Hundred	588	549	93%
THEO	528	492 <sup>(1)</sup>	93%
1Eleven	357	330	92%
The Annex	518	471	91%
<b>Total</b>	<b>4,717</b>	<b>4,534</b>	<b>96%</b>

(1) Subject to rental guarantee

## Turnover and Revenue

The 2020/2021 school year was anything but normal in terms of expected trends in leasing, but performance was still very strong as shown by consistently strong occupancy and rents achieved for the 2021/2022 school terms. Average gross rent per month for September 2021 increased by 13.0% over September 2020 to \$811.60 per bed from \$718.40 per bed in 2020. Importantly, this growth does not include any ancillary revenue streams, including utilities, cleaning, and furniture rentals, which are included on applicable lease agreements.

Unlike past years, incentives were increased to attract students for the 2021/2022 school year. In particular, incentives were prevalent at sites that saw a decrease in international student attendance for September 2021. Incentives resulted in 2021 net effective rent of \$767.10 per bed in September 2021, up from \$712.20 per bed in September 2020. The majority of the incentives are applied to the first months of leases and will not impact monthly rent collected starting in January 2022 or for subsequent years of the lease term.

Overall, turnover increased in September 2021 to 69.7% compared to 58.9% for owned buildings in September 2020. Strong turnover is particularly advantageous in the current inflationary environment, as it facilitates regular rent increases to market rates, as well as the opportunity to add additional revenue by capturing fees for ancillary services.

## **Privately Managed Portfolio Statistics:**

	TTM September Turnover			Monthly Gross Rent per Bed			Monthly Effective Rent per Bed		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
<b>Total</b>	58.5%	58.9%	69.7%	\$707.20	\$718.40	\$811.60	\$706.90	\$712.20	\$767.10
<b>YoY Delta</b>	-	0.3%	10.9%	-	1.6%	13.0%	-	0.7%	7.7%

*Note: As at September 30, 2021. Does not include data from Annex (University of Ottawa managed property).*

## Rent Collection Summary

ASH REIT's rent collection has remained strong. Over the trailing-twelve-month period, the REIT collected over 97% of rent throughout the portfolio.



## FINANCING UPDATES

Management continues to achieve attractive debt financing options for new acquisitions, solidifying our position as a premier PBSA provider in the market. With Schedule 1 banks committing to financing arrangements, the portfolio is benefitting from a lower cost of capital and a weighted average interest rate of 3.25% at September 30, 2021. Interest only periods have also been secured on recent financings.

Property Name	Address	Provider	Type	Debt	LTPP	Appraised Value	LTV	Amort. (Years)	Interest Rate	Maturity
myREZ	181 Lester Street	Schedule 1 Bank	First-Mortgage	\$39.6	87.0%	\$58.3	67.9%	I.O	3.22%	Feb-26
1ELEVEN	111 Cooper Street	Schedule 1 Bank	First-Mortgage	\$40.3	73.3%	\$64.1	62.9%	I.O	3.22%	Feb-26
King Street Towers I & II	333 & 339 King Street	Trust Company	First-Mortgage	\$61.2	64.4%	\$113.4	53.9%	25	3.63%	May-24
West Village Suites	1686 Main Street	Private Lender	First-Mortgage	\$45.6	60.8%	\$101.8	44.8%	30	3.79%	May-24
Village Suites Oshawa	1700 Simcoe Street									
Annex	265 Laurier Avenue	CMHC	First-Mortgage	\$51.4	64.3%	\$102.5	57.8%	25	2.62%	Sep-29
		Private Lender	Second-Lien	\$7.8				30	5.75%	Aug-22
1Ten on Whyte	11024 82 Avenue	Schedule 1 Bank	First-Mortgage	\$5.1	79.9%	\$6.8	75.5%	I.O	3.48%	Feb-24
Preston House	315 King Street	Trust Company	First-Mortgage	\$27.3	70.0%	\$40.9	66.7%	I.O	3.02%	May-28
Bridgeport House	328 Regina Street	Schedule 1 Bank	First-Mortgage	\$43.2	70.8%	\$64.2	67.3%	I.O	3.15%	May-26
		Schedule 1 Bank	First-Mortgage	\$81.5				73.1%		
THEO	305 Rideau Street	Schedule 1 Bank	First-Mortgage	\$81.5	73.1%	\$118.1	72.0%	I.O	2.94%	Jul-25
		Schedule 1 Bank	Second-Lien	\$3.5				I.O		
<b>Total / Weighted Average</b>				<b>\$406.5</b>	<b>69.5%</b>	<b>\$670.1</b>	<b>60.7%</b>		<b>3.25%</b>	<b>Jan-26</b>

In connection with the acquisition of THEO on July 30, 2021, ASH REIT borrowed \$20.5 million against its acquisition facility to fund the transaction. Since then, \$10.0 million has been repaid and the balance is expected to be repaid over the next several months, so that the revolving facility will be available again to fund ASH REIT's next acquisition.

## WEBINAR DETAILS

Management will host a webinar to discuss ASH REIT's Q3 2021 operating performance on Tuesday, November 2, 2021 at 2 PM EDT. Please register for the webinar using the following hyperlink:

[Q3 2021 Webinar](#)

## STANDARD DISCLOSURE

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