

# ALIGNVEST

## STUDENT HOUSING

### DECEMBER 31, 2019 – MANAGEMENT REPORT

#### HIGHLIGHTS

ASH REIT is focused on consolidating the fragmented Canadian Purpose-Built Student Accommodation (“PBSA”) market. Currently, ASH is the largest owner/operator of PBSA focused on Canadian universities with seven premier assets and 3,322 beds in four tier-1 markets valued at ~\$400 million.

On December 31, 2019, the REIT announced and distributed \$1.50 per REIT Unit (\$6.00 annualized distribution) and Fair Market Value (“FMV”) per REIT Unit of \$109.54 (an increase from \$107.10 as of September 30, 2019).

Since inception, ASH has delivered a total return to its initial investors of ~18.5% (assuming all cash distributions).

#### SUBSEQUENT TO QUARTER END

Management continues to focus on rolling-out best practices across its entire portfolio, launching operational initiatives and has made offers on multiple properties valued in excess of \$235 million.

The REIT’s growing cash balance and proven ability to integrate operations throughout the portfolio has provided management and the Board of Trustees with the roadmap to grow the platform further in the near-term.

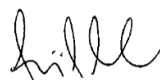
Management remains committed to acquiring an additional \$400 million of properties in the near-term and has a long-term objective of owning over \$1 billion of high-quality PBSA assets in Canada.

#### MANAGEMENT OVERVIEW AND UPDATE

Management is excited about the progress it has made over the past 18-months, raising substantial amounts of equity capital, investing it into attractive tier-1 PBSA assets and introducing a level of asset management/property management professionalism that is leading the Canadian industry.

ASH REIT is entering its next phase of growth with tremendous momentum and is exceeding our expectations across most financial and operating measures. Management of the REIT has been working diligently over the past 6-months to integrate our current portfolio and create a platform that is prepared to support our next phase of acquisitions/growth. Entering 2020, we are focused on doubling the size of our property portfolio with additional acquisitions of high-quality PBSA assets at cap rates that are 100-200bp higher than local multi-family apartments. In fact, the REIT currently has outstanding offers on properties worth over \$235 million and expects to close on acquisitions in current and new markets.

The current portfolio realized year-on-year same property NOI growth of ~12% and we are forecasting a further ~9% increase in 2020 relative to 2019. Additionally, we have entered the 2020/21 school year leasing season and are already ahead of last-year’s lease-up rate, which significantly de-risks the portfolio’s operations for the next 20-months.



*Sanjil Shah*  
Managing Partner



*Jonathan Turnbull*  
Managing Partner

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## STUDENT HOUSING

### Q4 2019 REIT PERFORMANCE

On December 31, 2019, the REIT distributed \$1.50 per REIT Unit (\$6.00 annualized distribution) payable to Unitholders of record on October 1, 2019 and the FMV per REIT Unit increased from \$107.10 to \$109.54.

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 an ~18.5% total return on their Units (assuming all cash distributions), despite the REIT holding substantial amounts of cash for the period prior to Q3 2019. Over the same period, the S&P/TSX Composite Index return was only ~5.5% (June 29, 2018 to December 27, 2019).

Since closing the portfolio of four high-quality PBSA properties in Ontario in April 2019 (the "Ontario Portfolio"), the REIT's cash balance reduced substantially and is no longer a drag on value. The increase in the value of REIT Units during the fourth quarter is primarily a result of improved 2019/2020 school year lease-up at the properties and the execution of certain revenue generating and expense reduction strategies 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>December 31, 2019</b>				
Investments in Real Properties					\$398,342,204
Cash & Cash Equivalents					19,972,497
Other Assets					1,363,455
Debt Obligations					(231,250,402)
Other Liabilities and Performance					(12,859,585)
<b>Fair Market Value (Pre-Distribution)</b>					<b>\$175,568,169</b>
Less - Distribution to Unit Holders					(2,267,096)
Less - Distribution to General Partner <sup>(1)</sup>					(755,699)
<b>Fair Market Value (Post-Distribution)</b>					<b>\$172,545,374</b>
Number of Units outstanding					1,575,116
	<b>Per REIT Unit</b>				
	<b>31-Dec-18</b>	<b>31-Mar-19</b>	<b>30-Jun-19</b>	<b>30-Sep-19</b>	<b>31-Dec-19</b>
	<b>\$102.61</b>	<b>\$103.83</b>	<b>\$106.56</b>	<b>\$109.10</b>	<b>\$111.54</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>\$100.61</b>	<b>\$101.83</b>	<b>\$104.56</b>	<b>\$107.10</b>	<b>\$109.54</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.

### CAPITALIZATION

The REIT held over \$398 million in PBSA assets as of December 31, 2019 and had a cash balance of ~\$20 million. Including the additional capital raised on January 1, 2020, the REIT had an equity value of over \$185 million, cash on hand over \$30 million, leverage at under 60% LTV, and access to additional sources of capital to fund potential near-term acquisitions.

The REIT's growth has positioned it as the logical buyer for potential vendors/developers and its balance sheet gives management the ability to consider multiple acquisitions in the near-term and to capitalize on local and national operating synergies. Management believes that based on fund-raising completed in early 2020, the access to an acquisition facility and additional ongoing capital raising discussions, the REIT has 'dry-powder' to pursue acquisitions valued at ~\$500 million in the near-term.

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## STUDENT HOUSING

### PROPERTIES

As of December 31, 2019, the REIT owned seven properties with 3,322 beds in four tier-1 university markets across Ontario. Management is currently evaluating certain space utilization/optimization strategies that will increase the available bed-count at our current assets and is also pursuing multiple acquisitions which will increase its property and bed count substantially over the next few quarters.

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>	

#### 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>

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## STUDENT HOUSING

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### 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>

### 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>

# ALIGNVEST

## STUDENT HOUSING

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### 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>

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



Property Name:	Village Suites Oshawa
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>

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## STUDENT HOUSING

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### M & A ENVIRONMENT

As mentioned in our previous quarterly management report, the residential multi-family apartment sector continues to garner broad investor support and valuations remain at record highs. The valuation environment for PBSA assets has been buoyed by the multi-family sector cap rate compression; however, cap rates remain at valuation premiums that are 100-200bp higher than local multi-family.

Volume of available high-quality PBSA transactions remain very strong and management has identified ~\$500 million of new available operating acquisition opportunities since Q3 2019. Many of these transactions have been unearthed by the management team after years of conversations with the current owners.

ASH REIT is currently negotiating to acquire over \$400 million of Class A PBSA assets and has outstanding offers on assets worth over \$235 million at a weighted average cap-rate premium of ~150bp to local multi-family, assuming no in-house operating synergies are realized with the REIT's current portfolio (based on CBRE's Q4 2019 Cap Rate Survey). Valuations have benefited from the current market environment; however, management has remained diligent and focused on our mandate to acquire assets at attractive valuations on a relative and absolute basis and feel confident in our ability as the first mover in the sector to deliver attractive and well-priced acquisitions in the near-term to the portfolio.

The assets being pursued are in the REIT's current markets, as well as certain new markets that management has been trying to enter for some time. Management is focused on expanding our student housing footprint outside of Ontario and hopes to announce some transactions in tier-1 university cities outside of Ontario in the near-term.

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### FINANCING ENVIRONMENT

The REIT is experiencing tremendous success raising equity capital which will fuel the next phase of acquisition growth. As of April 1, 2020, the REIT will move to monthly pricing, distributions, subscriptions and redemptions, which management believes will further enhance our equity capital raising platform. The REIT accumulated ~\$12 million of cash in the last quarter and has already raised over \$25 million in 2020, which positions it well to pursue sizeable acquisitions in the near-term. Our leverage is below 60% LTV and we have ample access to debt financing to support our planned acquisitions.

The financing environment remains attractive and we continue to have productive discussions with various lenders about traditional financing and CMHC supported debt financing. Our discussions with lenders during the diligence of various acquisition candidates indicate that financing options available to us today are similar to the ones we have recently executed.

The weighted average interest rate on debt and maturity for the debt portfolio is 3.6% and ~5.25 years, respectively.

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## STUDENT HOUSING

### REIT OPERATIONS

As discussed previously, management of the REIT has successfully introduced an increased focus on operations and property management to the portfolio relative to prior ownership. The REIT has invested in an in-house operations team that is working in tandem with management and the property-level teams to drive operations. Management is pleased with the financial and operational milestones achieved across the portfolio, including property-level operations exceeding management's expectations and the properties 2019 results (under ASH REIT ownership) showed tremendous growth relative to the operating performance in 2018 under prior ownership/management.

ASH REIT Property Performance – 2019 vs. 2018			
	EGI Growth	NOI Growth	NOI Margin Growth
Portfolio*	5.5%	11.5%	+3.2%
Wholly Owned Assets for Full Year 2019:			
181 Lester	6.4%	12.0%	+3.2%
111 Cooper	3.3%	20.3%	+8.1%

*\*Portfolio excludes The Annex, as the property came online in September 2018 and therefore does not have full-year 2018 financials*

The REIT continues to move forward with its ESG initiatives for the company and its portfolio of properties. In the 4<sup>th</sup> quarter, entry access systems were updated to brand new systems with video conferencing and connectivity to tenant smart phones, which greatly enhances the functionality and security of the entry network. Additionally, the REIT has invested ~\$260,000 to complete an LED retrofit across its portfolio in an effort to improve the lighting conditions, update the aesthetics and reduce our electricity consumption – all of which is expected to realize a payback on investment in under two years.

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## STUDENT HOUSING

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### CONFERENCE CALL DETAILS

Management will host a conference call to discuss the REIT's Q4 2019 operating performance and the REIT's longer-term strategy on Friday February 28, 2020 at 2:00PM EST. Please register for the call using the following hyperlink:

[Q4 2019 Conference Call](#)

### STANDARD DISCLOSURE

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