

December 31, 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, student accommodation real estate sector across Canada.

OBJECTIVES

- ✓ To build a diversified investment portfolio of income-producing 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.

Q4 2021 HIGHLIGHTS

- ✓ As at December 31, 2021, ASH REIT announced a Fair Market Value (“FMV”) of \$119.00 per Class F Unit and \$117.81 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 44.7% since inception in June 2018 and annualized returns of 11.1% to initial Class F unitholders, assuming DRIP participation.
- ✓ Portfolio appraised at approximately \$699.9 million as of December 31, 2021, a \$29.8 million increase compared to September 30, 2021.
- ✓ Achieved overall occupancy of 98% at ASH REIT’s properties as at December 31, 2021.
- ✓ Collected 98.0% of ASH REIT’s expected residential rental revenue throughout 2021 from its privately managed portfolio and 100% from its university managed property.
- ✓ Achieved gross rent per bed per month and net rent per bed per month increases of 13.0% and 7.7%, respectively, relative to 2020.
- ✓ Continued successful leasing in commercial portfolio with imminent opening of Kentucky Fried Chicken (KFC) at THEO in Ottawa, and the opening of an esthetician operation at 17Hundred in Oshawa
- ✓ Initiated consolidation of teams in Waterloo to achieve efficiencies in operations at five properties in the region.
- ✓ Completed operations roll-out of tenant management IT applications to manage online leasing, maintenance work order management, amenity booking and online payments.

REIT FACTS

ASH REIT DETAILS

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

ASH REIT HIGHLIGHTS – December 31, 2021

Property Appraised Value	\$699.9 million
Bed Count	4,717
Loan to Value	~58%
Fair Market Value per Unit	Class F Unit – \$119.00 Class A Unit – \$117.81
Annual Distribution per Unit	\$6.00
Distribution Yield to Unitholders of Class F Unit (RoC)	5.04%
Targeted Long-Term Returns – Class F Unit	~15% (Net of Fees)


MANAGEMENT OVERVIEW

We are very proud of the REIT's achievements in 2021. We finished the year with three transformative acquisitions, which increased the REIT's asset base by 1,323 beds and over \$215 million in asset value; we maintained near-full occupancy and very attractive collection rates across the portfolio through another year under COVID-19; and we have experienced positive leasing and operational results which have set the foundation for a successful 2022/23 academic year.

Although headwinds still continue to approach as we persevere through another wave of the COVID-19 pandemic, we are optimistic that the impacts on the economy and student demographic will not hinder the portfolio's operations, similar to the prior two years. As we are facing a short period of online learning in January, we continue to focus on the health and safety of our staff and residents. We expect our buildings to have near-full physical occupancy as students choose to study close to campus and with their social networks during this brief shutdown. We are already seeing students return to campus in many provinces across Canada as schools resume in-person learning.

We were pleased that the sum-of-the-parts appraisals, which were conducted by Cushman and Wakefield, valued our portfolio at \$699.9 million, representing significant value accretion relative to Q3 2021 due to the operational excellence and the resiliency of the Canadian student housing sector. Because of these successes, we have been able to deliver a net 11.1% annualized return, including 12.1% in 2021, and a 44.7% total return since inception, to our investors.

Student housing continues to prove itself to be a resilient asset class during these challenging times. We remain excited about the outlook for the sector; as a result, we have successfully raised capital to acquire additional properties in 2022 to continue to build on our track record of delivering attractive risk-adjusted returns to our investors.



Sanjil Shah
Managing Partner

Q4 2021 REIT PERFORMANCE

As at December 31, 2021, ASH REIT announced a FMV of \$119.00 per Class F Unit and \$117.81 per Class A Unit. On January 15, 2021, ASH REIT distributed \$0.50 per REIT Unit (\$6.00 annualized distribution) payable to Unitholders of record on December 31, 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 44.7% total return (for the period June 30, 2018 to December 31, 2021), assuming DRIP participation.

	December 31, 2021
Investments in Real Properties	\$688,300,000
Cash & Cash Equivalents	31,402,680
Other Assets	2,237,608
Debt Obligations	(404,343,049)
Other Liabilities and Performance	(28,175,295)
Fair Market Value (Pre-Distribution)	\$289,421,944
Less - Distribution to Unitholders	(1,209,282)
Less - Distribution to General Partner	(403,094)
Fair Market Value (Post-Distribution)	\$287,809,568
Number of Class F Units outstanding	2,414,299
Number of Class A Units outstanding	4,238

	31-Aug-21	30-Sep-21	31-Oct-21	30-Nov-21	31-Dec-21
Fair Market Value per Class F Unit	\$114.00	\$114.50	\$114.50	\$114.50	\$119.00
Fair Market Value per Class A Unit	\$113.25	\$113.63	\$113.52	\$113.42	\$117.81

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.

Calendar Returns – Class F Units (DRIP)

2018⁽¹⁾	2019	2020	2021
3.7%	15.3%	8.0%	12.1%

Compounded Returns – Class F Units (DRIP)

1-Year	2-Year	3-Year	Since Inception⁽²⁾
12.1%	10.0%	11.8%	11.1%

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

⁽²⁾ For the period from June 2018 to December 31, 2021.

YEAR END 2021 APPRAISAL SUMMARY

As of December 31, 2021, ASH REIT's portfolio was valued at \$699.9 million, a \$29.8 million increase relative to \$670.1 million as at September 30, 2021.

Address	Name	Beds	Appraisal Date	Appraised NOI (millions)	Appraised Cap Rate	Appraised Value (millions)
181 Lester St.	myREZ	455	Dec 2021	\$3.2	5.00%	\$64.3
111 Cooper St.	1Eleven	357	Dec 2021	\$3.2	4.75%	\$66.8
265 Laurier Ave.	Annex	518	Dec 2021	\$4.7	4.50%	\$104.5
333 & 339 King St.	KST I & II	955	Dec 2021	\$6.0	5.00%	\$119.0
1686 Main St.	West Village Suites	449	Dec 2021	\$3.4	5.00%	\$68.3
1700 Simcoe St.	17Hundred	588	Dec 2021	\$2.4	5.50%	\$42.7
11024 82 Ave.	1Ten on Whyte	72	Dec 2021	\$0.4	5.50%	\$6.9
315 King St.	Preston House	310	Dec 2021	\$2.1	5.00%	\$41.3
324 Regina St.	Bridgeport House	485	Dec 2021	\$3.3	5.00%	\$64.7
305 Rideau St.	THEO	528	Dec 2021	\$6.0	4.90%	\$121.4
Total		4,717		\$34.8	4.97%	\$699.9

PORTFOLIO SUMMARY

ASH REIT's portfolio currently consists of 11 properties with 4,717 beds in five 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
Total				1,309	4,717	

PROPERTY SPOTLIGHT: 17Hundred

1700 Simcoe Street North, Oshawa, Ontario



Property Name:	17Hundred
Year Built:	2010
Number of Beds:	588
Investment Date:	April 2019
Purchase Price:	\$30,000,000
YE 2021 Appraised Value:	\$42,700,000
Ownership:	100.0%
Property Website:	www.17hundred.ca

In Q1 2020, Management announced the rebranding of Village Suites Oshawa to 17Hundred. Management successfully transformed the property’s tenant base by strengthening applicant and guarantor requirements and optimized the staffing structure to create a strong, collegiate environment for Ontario Tech and Durham College students. 17Hundred is the only purpose-built student housing asset in Oshawa with condominium-style amenities; the study rooms, yoga facility, gym and games rooms are the property’s differentiating factors. As such, Management renovated the common areas throughout the building, which allowed the REIT to better capitalize on the property’s competitive advantage and de-risk the property’s go-forward operations. The interior of the building now matches modern design trends, and better competes with new purpose-built accommodations servicing the adjacent university and college.

As a result of Management’s repositioning efforts, 17Hundred has officially achieved 100% occupancy for its first time!

Pre-Renovation:



Post-Renovation:



OCCUPANCY & 2022/23 PRE-LEASING UPDATE

Since the onset of COVID-19, Management has been encouraged by ASH REIT's ability to sustain near-full occupancy rates across its portfolio, as well as the continued trend of the student tenant demographic residing in university cities regardless of their university's teaching approach.

The REIT's portfolio's occupancy has returned to pre-pandemic levels, achieving 98% as at the start of the 2022 calendar year. Management is pleased to report that seven of the REIT's properties are currently 100% leased, including 17Hundred in Oshawa, which achieved full occupancy for the first time.

Recently, the property management team conducted a Fall semester move-in survey (on a scale from 1 to 10). The survey showed that ~65% of residents scored 7 or above in terms of "propensity to recommend their building to friends". Management will continue to develop strategic plans to increase resident satisfaction throughout the portfolio based on regular feedback and communication.

Property	Total Beds	Occupied Beds	Occupancy (as at Jan 1, 2022)
King Street Tower I	536	536	100%
King Street Tower II	419	419	100%
West Village Suites	449	449	100%
1Ten on Whyte	72	72	100%
Preston House	310	310	100%
MyRez	455	455	100%
17Hundred	588	588	100%
Bridgeport House	485	479	99%
1Eleven	357	348	97%
THEO ⁽¹⁾	528	492	93%
The Annex	518	471	91%
Total	4,717	4,619	98%

(1) Subject to rental guarantee

ASH REIT has been experiencing strong leasing traction for the 2022/2023 academic year. The properties have a significant amount of leasing inquiries, and scheduled tours, which bodes well for the REIT's leasing velocity. As a result, Management has proactively delivered renewal notices to a significant portion of its tenant base to confirm the total number of beds available for the following academic year. From this, Management has been able to confirm renewals / pre-leased occupancy at myREZ on Lester, King Street Towers I & II and West Village Suites at 63%, 61% and 74%, respectively. To date, the portfolio is ~40% pre-leased for September 2023, which is over 11% ahead of pre-leased at the same time last year.

Management is also encouraged by the increases in international student visas approved from January to September 2021, with six times as many students approved to study in Canada compared to the same period in 2020¹. With each market and building operating on various renewal and leasing timelines, we expect September 2023 occupancy will continue to accelerate over the coming months.

RENT COLLECTIONS

ASH REIT's rent collection has remained strong over the past 12 months, as the REIT collected 98% of rent throughout the portfolio. As the physical occupancy increases across the portfolio, ASH REIT expects to maintain strong collections throughout 2022.

FINANCING UPDATES

Management continues to achieve attractive debt financing options for new acquisitions, solidifying ASH REIT's position as the premier student housing provider in the market. With Schedule 1 banks committing to financing arrangements, the portfolio is benefitting from a lower cost of capital, interest only periods and a weighted average interest rate of 3.25% as at December 31, 2021.

Property Name	Address	Provider	Type	Debt	LTPP	Value	LTV	(Years)	Rate	Maturity
myREZ	181 Lester Street	Schedule 1 Bank	First-Mortgage	\$39.6	87.0%	\$64.3	61.5%	1.0	3.22%	Feb-26
1ELEVEN	111 Cooper Street	Schedule 1 Bank	First-Mortgage	\$40.3	73.3%	\$66.7	60.4%	1.0	3.22%	Feb-26
King Street Towers I & II	333 & 339 King Street	Trust Company	First-Mortgage	\$60.9	64.1%	\$119.0	51.2%	25	3.63%	May-24
West Village Suites	1686 Main Street	Private Lender	First-Mortgage	\$45.5	60.6%	\$111.1	40.9%	30	3.79%	May-24
Village Suites Oshawa	1700 Simcoe Street									
Annex	265 Laurier Avenue	CMHC	First-Mortgage	\$51.2	64.0%	\$104.5	56.4%	25	2.62%	Sep-29
		Private Lender	Second-Lien	\$7.7						
1Ten on Whyte	11024 82 Avenue	Schedule 1 Bank	First-Mortgage	\$5.1	79.9%	\$6.9	74.4%	1.0	3.48%	Feb-24
Preston House	315 King Street	Trust Company	First-Mortgage	\$27.3	70.0%	\$41.3	66.1%	1.0	3.02%	May-28
Bridgeport House	328 Regina Street	Schedule 1 Bank	First-Mortgage	\$43.2	70.8%	\$64.7	66.8%	1.0	3.15%	May-26
THEO	305 Ri deau Street	Schedule 1 Bank	First-Mortgage	\$81.5	73.1%	\$121.4	70.0%	1.0	2.94%	Jul-25
		Schedule 1 Bank	Second-Lien	\$3.5						
Total / Weighted Average				\$405.8	69.3%	\$699.9	58.0%		3.25%	Jan-26

As at December 31, 2021, ASH REIT repaid its acquisition facility in full. The facility is now available to be drawn to fund future acquisitions.

¹ IRCC <https://www.applyboard.com/blog/applyinsights-handling-the-coming-international-student-wave>

WEBINAR DETAILS

Management will host a webinar to discuss ASH REIT's Q4 2021 operating performance on Thursday, February 3, 2022 at 2 PM EDT. Please register for the webinar using the following hyperlink:

[Q4 2021 Webinar](#)

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