

ALIGNVEST

STUDENT HOUSING

JUNE 30, 2020 – MANAGEMENT REPORT

Alignvest Student Housing Real Estate Investment Trust (“ASH REIT” or the “REIT”) offers investors the opportunity to invest in the leading student housing REIT focused on consolidating the fragmented, institutional-grade, purpose-built student accommodation (“PBSA”) real estate sector across Canada.

Q2 2020 HIGHLIGHTS

- ✓ On May 1, 2020, the REIT announced Nancy Lockhart’s appointment to its Board of Trustees; subsequent to quarter-end, on July 6, 2020, Nancy Lockhart was appointed Chair of the Board.
- ✓ On July 2, 2020, the REIT announced Rajiv Silgado’s appointment to its Board of Trustees.
- ✓ On June 30, 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.
- ✓ The FMV of the REIT’s portfolio increased to \$410.2 million.
- ✓ Since inception, ASH REIT has delivered a total return to its initial investors of ~24% and 26%, assuming all cash distributions and DRIP participation, respectively.
- ✓ ASH REIT has delivered annualized returns to its initial investors of ~12% and 13% assuming all cash distributions and DRIP participation, respectively.
- ✓ Collections remained strong throughout Q2 2020; the REIT collected ~95% of its expected rental revenue.
- ✓ Fall 2020 pre-leasing remained strong with ~90% of the portfolio’s beds leased for the upcoming school year.
- ✓ The stability of the REIT’s existing properties has allowed Management to shift its focus towards opportunistic acquisitions, with an eye towards Western Canadian expansion. On July 7, 2020, Management announced the acquisition of 1Ten on Whyte, a 72-bed property in Edmonton, which is expected to close in August 2020.

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MANAGEMENT OVERVIEW AND UPDATE

Q2 2020 began with continued uncertainty about how the pandemic would affect Canadian universities and our properties. Throughout Q2 2020, this uncertainty has subsided with universities announcing their plans for the Fall 2020 term and our properties continuing to perform strongly. Our revenue collection stands at approximately 95% and our pre-leasing is approaching 90%. With this stability in place, we have shifted our focus on acquisition opportunities. Prior to the pandemic, we had spent considerable time sourcing and performing due diligence on various opportunities across Canada. In preparation of closing on these acquisitions, we had raised over \$50 million and expected to continue raising and deploying additional capital this year.

Despite COVID-19 delaying our acquisition strategy, we were excited to announce the acquisition of 1Ten on Whyte in Edmonton earlier this quarter. This acquisition establishes our presence in Western Canada and transforms us into a truly national player in the institutional-grade, purpose-built student accommodation space. With respect to 1Ten on Whyte, we took control of all leasing and marketing initiatives immediately upon waiving conditions to ensure a smooth start to the Fall 2020 school year, and we expect to formally close this acquisition in Q3 2020. In addition to 1Ten on Whyte, we have re-engaged on several additional attractive acquisition opportunities worth upwards of \$500 million. We expect to remain focused on completing accretive acquisitions over the coming months and we believe that there will be an opportunity to transact at attractive valuations given our strong financial position and the current market environment.

Subsequent to quarter-end, we announced a number of changes to our Board of Trustees. On July 2, 2020, Rajiv Silgado joined our Board. Mr. Silgado is a Director on the board of the OMERS Administration Corporation and was previously the co-CEO of BMO Global Asset Management. We look forward to leveraging Mr. Silgado's experience to help the REIT continue to create long-term value. Additionally, Drew Coles resigned as Chair of the Board following the completion of his term. We would like to thank Mr. Coles for his contributions to the REIT; consequently, on July 6, 2020, the REIT announced the appointment of Nancy Lockhart as Chair of the Board.



Sanjil Shah
Managing Partner

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FUND FACTS

ASH REIT DETAILS

Fund Type	Mutual Fund Trust
Fundserv Code	ASH 100
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	Quarterly

ASH REIT AT A GLANCE

Property Value	\$410.2 million
Bed Count	3,394 ⁽¹⁾
Loan to Value	56%
Fair Market Value per Unit	\$112.00
Annual Distribution per Unit	\$6.00
Distribution Yield to Unitholders (RoC)	5.4%
Targeted Long-Term Returns	15%+ IRR

(1) Inclusive of recently announced acquisition in Edmonton, Alberta.

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Q2 2020 REIT PERFORMANCE

On June 30, 2020, the REIT distributed \$1.50 per REIT Unit (\$6.00 annualized distribution) payable to Unitholders of record on April 1, 2020 and the FMV per REIT Unit remained unchanged from March 31, 2020, at \$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 24% 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 -4.7% (June 29, 2018 to June 30, 2020).

Given the valuation uncertainties caused by the pandemic, Management engaged Cushman & Wakefield to conduct an interim appraisal of our portfolio to obtain an objective third-party opinion. 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. 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 positions the REIT to capitalize on attractive acquisitions over the next handful of months.

	June 30, 2020
Investments in Real Properties	\$410,245,247
Cash & Cash Equivalents	53,676,683
Other Assets	1,151,244
Debt Obligations	(230,616,818)
Other Liabilities and Performance	(16,838,056)
Fair Market Value (Pre-Distribution)	\$217,618,300
Less - Distribution to Unitholders	(2,863,404)
Less - Distribution to General Partner ⁽¹⁾	(954,468)
Fair Market Value (Post-Distribution)	\$213,800,428
Number of Units outstanding	1,908,932
	Per REIT Unit
	30-Jun-19 30-Sep-19 30-Dec-19 31-Mar-20 30-Jun-20
Distribution to REIT Unit Holders	\$106.56 \$109.10 \$111.54 \$114.00 \$114.00
	(1.50) (1.50) (1.50) (1.50) (1.50)
Distribution to General Partner	(0.50) (0.50) (0.50) (0.50) (0.50)
	\$104.56 \$107.10 \$109.54 \$112.00 \$112.00

(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.

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PROPERTIES

During the quarter, ASH REIT announced the acquisition of 11024 82 Ave. (“1TEN on Whyte”) in Edmonton. The property was purchased for \$6.425 million and is expected to be a value-generating property in a high potential market with a significant supply / demand imbalance. Following the acquisition of 1TEN on Whyte, the REIT’s portfolio will consist of eight properties with 3,394 beds in five tier-1 university markets across Canada. Management continues to increase its capital raising efforts, while simultaneously evaluating various additional opportunities to increase its presence across Canada.

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
11024 82 Ave.	Edmonton, AB	University of Alberta	37	72	Aug 2020 ⁽¹⁾
Total			957	3,394	

(1) Expected closing date.

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ACQUISITION OVERVIEW: 1TEN ON WHYTE



Property Overview

1Ten on Whyte is an operating student housing facility located ~0.3 km from the University of Alberta (“UoA”). In addition to its close proximity to campus, it is located on Whyte Ave, which is a popular destination for university students. The building has 37 fully furnished units that come in four primary configurations, including bachelor, two-bedroom, three-bedroom, and four-bedroom suites. Across all of these units, the property currently has 72 beds, though Management believes there is an opportunity to expand the bed count following the purchase of the property and a redesign of what we consider to be significantly underutilized amenity space, which includes a full commercial kitchen, office space, games room, boardroom, events hall, chapel, and fitness center. The building was originally constructed in 1956 and underwent extensive renovations in 2010 that included the addition of two floors, replacement of all mechanical equipment, roofs, and electrical equipment.

Market Overview

Management views Edmonton and UoA as a high potential market, with consistent enrollment growth and a significant PBSA supply / demand imbalance. Total enrollment has grown 6.3% since 2015 / 2016, and 25% of enrollment is comprised of international students.

UofA has 5,904 on-campus residence beds, which services 17% of total enrolment. However, with nearly-zero off-campus PBSA beds, Management believes this acquisition will provide the REIT with a first-mover advantage in the Edmonton market that we can leverage by acquiring additional properties and scaling rapidly. Additionally, Management expects that the capacity of on-campus UoA residences will be substantially reduced in Fall 2020 in order to abide by social distancing guidelines. This supply constraint will create additional demand for off-campus housing that can provide single rooms for students.

Key Investment Highlights

- ✓ Located in a highly sought-after student housing district ~0.3 km away from UofA; the surrounding area has limited available land for intensification thereby creating little potential competition.
- ✓ Management sees potential to increase bed count with minimal capex by optimizing underutilized amenity spaces.
- ✓ Comparable vacant land in the surrounding area is trading at ~\$250 per square foot, implying a total land value for 1Ten on Whyte of \$5.452M and a building purchase price of ~\$1M, which represents only 14% of the total expected replacement cost.
- ✓ Immediate opportunity to decrease operating costs and significantly increase NOI by eliminating food and church services, and renegotiating service contracts.
- ✓ Low risk opportunity to enter Western Canada given minimal refurbishment needs and relatively small equity check.

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CONFERENCE CALL DETAILS

Management will host a conference call to discuss the REIT's Q2 2020 operating performance and the REIT's longer-term strategy on August 13, 2020 at 2:00PM EDT. Please register for the call using the following hyperlink:

[Q2 2020 Conference Call](#)

STANDARD DISCLOSURE

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