

June 30, 2022 – 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 high quality, income-producing, student housing assets in Canada by acquiring properties at attractive valuations;
- ✓ To improve operating results and reduce risk with professional operations and management; and
- ✓ To deliver attractive and tax-efficient monthly distributions and long-term capital appreciation to investors.

Q2 2022 HIGHLIGHTS

- ✓ As at June 30, 2022, ASH REIT announced a Fair Market Value (“FMV”) of \$122.50 per Class F Unit and \$120.65 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 a total return of 52.8% since inception and annualized returns of 11.2% to initial Class F unitholders, assuming DRIP participation.
- ✓ Portfolio appraised at \$712.5 million as of June 30, 2022.
- ✓ Achieved overall occupancy of ~97% at ASH REIT’s properties as at June 30, 2022.
- ✓ September pre-leasing is ~18.5% ahead of last year’s leasing velocity as at July 22, 2022.
- ✓ Collected ~98% of ASH REIT’s expected residential rental revenue from its privately managed portfolio and 100% from its university managed property.
- ✓ Completed water retrofits at two sites in Waterloo for projected savings of 20% annually.
- ✓ Common area upgrades initiated at King Street Towers, West Village Suites and 17Hundred.
- ✓ Completed mechanical boiler upgrade at King Street Towers and continued HVAC upgrades at 1Eleven.
- ✓ Issued ASH REIT’s annual ESG report and continued development of strategy and metrics for future reporting.

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 – June 30, 2022

Property Appraised Value	\$712.5 million
Bed Count	4,717
Loan to Value	~56.6%
Fair Market Value per Unit	Class F Unit – \$122.50 Class A Unit – \$120.65
Annual Distribution per Unit	\$6.00
Distribution Yield to Unitholders of Class F Unit (RoC)	~4.9%
Targeted Long-Term Returns – Class F Unit	~15% (Net of Fees)

MANAGEMENT OVERVIEW

We spent most of 2020 and 2021 focused on successfully managing our business through the COVID-19 pandemic. In 2022, the challenges in the macro-economic environment, with high inflation and rising interest rates, have let us once again demonstrate the strength and resiliency of our business.

We are experiencing very strong pre-leasing for the upcoming academic year, with ~94% of our privately managed beds pre-leased for September 2022, ~18.5% ahead of last year at this time (as at July 22, 2022), at rental rates that exceed our budgeted rates.

In Q2 2022, we completed or initiated several projects that are expected to positively impact the portfolio, including, but not limited to: (a) water retrofits at two sites in Waterloo, which are expected to yield 20% savings; (b) common area upgrades at KST I & II, West Village Suites and 17Hundred, which has resulted in strong pre-leasing velocity and increased tenant satisfaction at these properties; and (c) replaced a mechanical boiler at KST and initiated HVAC upgrades at 1Eleven, which are expected to decrease operating expenses.

Although we are experiencing high inflation (rising to 8.1% in June 2022), student housing is proving to be very effective protection against inflation due to the natural, high turnover of student tenants. In 2022, our portfolio experienced over 50% turnover, which has allowed us to increase in-place rental rates to market rates on those beds. For the 2022/23 academic year, we are executing leases at rental rates that are 3% to 23% higher than the 2021/22 academic year. Even at these high achieved rental rates, the loss-to-lease on our portfolio is estimated at over \$450,000 per month. In contrast, we expect that traditional multi-residential landlords will experience lower turnover in inflationary periods as families are more likely to stay in their below-market-rent apartments. The Province of Ontario recently announced the maximum allowable rent increase for 2023 at 2.5%, well below the inflation rate. With our high turnover, we are less impacted by the provincial rent control limits.

In response to inflation, the Bank of Canada continues to increase benchmark interest rates and has indicated that further rate hikes can be expected. We are pleased to have stable and attractive financing in place, with no material near-term refinancing requirements. We intend to pay off our highest rate mortgage upon maturity in August 2022, further reducing our weighted average interest rate and extending our weighted average maturity date.

Even in the midst of an inflationary and volatile financing environment, there continues to be strong interest in the student housing sector both nationally and globally. Our robust cash and cash equivalents balance of \$67.5 million will allow us to focus on strategic, high-quality acquisitions. We are seeing previously unavailable properties become available for purchase, providing us with the potential opportunity to further expand portfolio across new markets.



Sanjil Shah
Managing Partner

Q2 2022 REIT PERFORMANCE

As at June 30, 2022, ASH REIT announced a FMV of \$122.50 per Class F Unit and \$120.65 per Class A Unit. On July 15, 2022, ASH REIT distributed \$0.50 per REIT Unit (\$6.00 annualized distribution) payable to Unitholders of record on June 30, 2022. Since inception, Class F Unitholders have realized a 52.8% total return (for the period from June 30, 2018 to June 30, 2022), assuming DRIP participation.

	June 30, 2022
Investments in Real Properties	\$712,500,000
Cash & Cash Equivalents	67,507,902
Other Assets	1,676,653
Debt Obligations	(401,933,469)
Other Liabilities and Performance	(38,111,563)
Fair Market Value (Pre-Distribution)	\$341,639,523
Less - Distribution to Unitholders	(1,386,968)
Less - Distribution to General Partner	(462,323)
Fair Market Value (Post-Distribution)	\$339,790,232
Number of Class F Units outstanding	2,764,799
Number of Class A Units outstanding	9,098

	28-Feb-22	31-Mar-22	30-Apr-22	31-May-22	30-Jun-22
Fair Market Value per Class F Unit	\$119.00	\$121.00	\$121.00	\$121.00	\$122.50
Fair Market Value per Class A Unit	\$117.59	\$119.48	\$119.37	\$119.26	\$120.65

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	YTD
3.7%	15.3%	8.0%	12.1%	5.6%

Annualized Returns

1-Year	2-Year	3-Year	Since Inception⁽²⁾
13.2%	10.3%	11.3%	11.2%

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

⁽²⁾ For the period from June 2018 to June 30, 2022.

PORTFOLIO SUMMARY

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: KING STREET TOWERS I & II



Property Name:	KST I & II
Year Built:	2011/2013
Number of Beds:	955
Investment Date:	April 2019
Purchase Price:	\$95,000,000
Q2 2022 Appraised Value:	\$121,300,000
Ownership:	100.0%
Property Website:	kingstreettowers.ca

King Street Towers I & II (KST) has the distinction of being one of the premier off-campus student housing complexes servicing Wilfrid Laurier University and the University of Waterloo. KST is one of the most sought-after residences for students in the area and was fully leased for the Fall 2022 term by mid-May 2022.

KST I & II are highly coveted student housing properties within walking distance of the two universities in the market, which have a combined enrollment of ~60,000 students. With 3-, 4-, 5- and 6-bedroom units, and extensive common areas, KST provides quality accommodation in fully furnished units with 2022 rental rates of up to \$896 per month plus a \$70 monthly utility charge. For the 2022/23 academic year, Management is estimating an ~11% effective rent roll increase over September 2021.

Over the past three years, KST has undergone various renovations to enhance the quality of the building. With extensive recreational spaces, including a movie theatre, gym and rooftop patio, as well as upgraded high-speed internet and a package delivery room, students can find all they need within the building.

In Q2 2022, Management undertook extensive energy savings initiatives at KST with common area LED retrofits and the installation of 1,206 3L low flow toilets, 1,140 low flow shower heads, and faucet aerators. Water cost savings from these upgrades are expected to be 20% annually. In addition, given Management's focus on safety and security of residents, a new key fob system was installed in Q2 2022. This new locking system will create efficiencies for staff as well as increase resident satisfaction. To maintain its premier competitive position in the market, Management plans to further upgrade common area flooring, study, and gym spaces later in 2022.

OCCUPANCY & 2022/23 PRE-LEASING UPDATE

Property	Total Beds	Occupancy (as at July 9, 2022)
King Street Tower I	536	100%
King Street Tower II	419	100%
MyRez	455	100%
Bridgeport House	485	100%
West Village Suites	449	100%
17Hundred	588	99%
Preston House	310	98%
1Eleven	357	96%
THEO ⁽¹⁾	528	93%
The Annex	518	90%
1Ten on Whyte	72	85%
Total	4,717	97%

(1) Subject to rental guarantee

ASH REIT has been experiencing very strong leasing velocity for the 2022/2023 academic year. As of July 22, 2022, the pre-leased occupancy for September 2022 was 94%, which is ~18.5% ahead of the pre-leased occupancy as at the same time in 2021.

The Annex, ASH REIT's university-managed property, is currently 95% pre-leased for the 2022/23 academic year (inclusive of confirmed and pending offers/assignments).

Property	Sept 2021 Pre-Leasing (as at July 22, 2022)	Sept 2022 Pre-Leasing (as at July 22, 2022)
West Village Suites	73%	100%
King Street Tower I & II	100%	100%
myREZ	54%	100%
Bridgeport House	62%	100%
Preston House	83%	100%
1Eleven	58%	95%
17Hundred	73%	92%
THEO ⁽¹⁾	N/A	71%
1Ten on Whyte	86%	62%
Total	76%	94%

(1) Subject to rental guarantee until September 2022.

Management is encouraged by the revenue growth being projected for September 2022. All properties are showing substantial effective rental rate increases over September 2021, between 3% and 23%. While rental rate increases are substantial, Management currently estimates the loss-to-lease for the portfolio to be at over \$450,000 per month (some of which will be captured for the 2022/23 academic year).

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 continues to stabilize across the portfolio, ASH REIT expects to maintain strong collections throughout 2022.

FINANCING UPDATES

Management continues to manage the REIT's debt capitalization and is benefitting from the steps taken in 2021 to re-finance three properties, myREZ, 1ELeven and 1Ten on Whyte, and the acquisition financing of Preston House, Bridgeport House, and THEO. Management was able to secure long-term, attractively-priced first mortgages, with interest-only periods, from Schedule 1 Banks for these financings. Currently, the REIT has a weighted average interest rate of 3.25% and a weighted average maturity date of January 2026. Management intends to repay the second mortgage on The Annex when it comes due in August 2022, reducing the portfolio weighted average interest rate and increasing the weighted average maturity date.

<i>(C\$ millions)</i>									
Property Name	Address	Provider	Type	Debt	Appraised		Amort. (Years)	Interest Rate	Maturity
					Value	LTV			
myREZ	181 Lester Street	Schedule 1 Bank	First-Mortgage	\$39.6	\$66.4	59.6%	I.O	3.22%	Feb-26
1ELEVEN	111 Cooper Street	Schedule 1 Bank	First-Mortgage	\$40.3	\$68.4	58.9%	I.O	3.22%	Feb-26
King Street Towers I & II	333 & 339 King Street	Trust Company	First-Mortgage	\$60.1	\$121.3	49.6%	25	3.63%	May-24
West Village Suites	1686 Main Street	Private Lender	First-Mortgage	\$45.0	\$112.7	39.9%	30	3.79%	May-24
Village Suites Oshawa	1700 Simcoe Street								
Annex	265 Laurier Avenue	CMHC	First-Mortgage	\$50.3	\$105.0	55.2%	25	2.62%	Sep-29
		Private Lender	Second-Lien	\$7.7			30	5.75%	Aug-22
1Ten on Whyte	11024 82 Avenue	Schedule 1 Bank	First-Mortgage	\$5.1	\$7.4	68.9%	I.O	3.48%	Feb-24
Preston House	315 King Street	Trust Company	First-Mortgage	\$26.9	\$42.0	64.0%	I.O	3.02%	May-28
Bridgeport House	328 Regina Street	Schedule 1 Bank	First-Mortgage	\$43.2	\$66.1	65.3%	I.O	3.15%	May-26
THEO	305 Rideau Street	Schedule 1 Bank	First-Mortgage	\$81.5	\$123.2	69.0%	I.O	2.94%	Jul-25
		Schedule 1 Bank	Second-Lien	\$3.5			I.O	4.03%	Jul-23
Total / Weighted Average				\$403.1	\$712.5	56.6%		3.25%	Jan-26

The current financing and macro-economic environment are posing challenges. While the supply of debt capital is very strong for established market players like ASH REIT, interest rates continue to rise along with inflationary pressures. Management has substantial cash reserves to act on acquisition opportunities, but the spreads between GoC yields and conventional or CHMC financing (from 55 bps to 250 bps) are making deal economics challenging. Management believes this environment will stabilize in the medium term, and in the short term is focused on internal operations, as well as strategic acquisition opportunities that may become available. Additionally, the REIT will explore the idea of allocating capital to student housing development opportunities in the form of equity, preferred equity and/or mezzanine debt where the opportunity exists to secure a right to purchase the property upon completion of construction or stabilization.

WEBINAR DETAILS

Management will host a webinar to discuss ASH REIT's Q2 2022 operating performance on Wednesday, August 10, 2022 at 3 PM EDT. Please register for the webinar using the following hyperlink:

[Q2 2022 Webinar](#)

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