

Thank you all for joining us. My name is Paul Mayer.

As you've been hearing over the last 15 minutes, head of Sales here at Centurion and I will be moderating this discussion with Greg about the Canadian multifamily residential rental real estate sector and the Centurion Apartment Real Estate Investment Trust.

This webinar will last about an hour and a recorded version will be available on our website.

Greg will begin with a 15 to 20 minutes review of the REIT and then we'll answer questions previously submitted by you, the advisors and our wholesalers on your behalf.

Just quickly to set the stage, the REIT now today has assets under administration of \$3.3 billion, with over 80 properties, which make up over 11,500 rental units in 28 cities. Monthly rent collections, even in this year of COVID, have remained consistent at between 98 and 99%. Year to date returns for A class is 7.5% and for F class 8.1%, with not a single down month this year, the annualized AClass return since 2009 inception stands at 13.5% with the stage set.

May I please pass it over to you, Greg? We look forward to your presentation.

Take it away.

Hi everyone, and thanks for attending the MD&A for the management discussion analysis for all the funds are posted on the website so you can take a look for yourself. My goal today is to provide a summary and highlight some of the key talking points contained in the report, then move along to some questions that we've been getting.

Q3 was a really great quarter and it turned out to be a really successful year for the REIT. Frankly, and I've said this before, if we didn't mention COVID in our reporting and you didn't know that we were in COVID, you probably wouldn't have noticed it in our results at all. We just flip to page two. I'm not going to do a detailed document flip because it's just it would take way too long and it is available on the website for you to prove in detail on your own. Consolidated assets year to date up 22% to 3.3 billion, 2020 versus Q3 2019, up a remarkable 35%.

Same property NOI margins rose from the same quarter of last year, up to 69.14% from 68.69%, almost a half a percent, and NOI itself rose by 4.78% over the same quarter. These are all same store results. So even COVID during COVID, we've been able to increase margins and push our seed store in NOIs. The total NOI ratio, you'll notice actually did decline from 71.5 to 62.2 in the quarter. But this for the same quarter of last year. But this includes the onboarding of a large number of new properties, many of which are in leasing and I'll show you the chart later on. If you see, what we've traditionally been able to do with properties over time is take up the NOI margin.

So on-boarding a whole bunch of properties with much lower NOI margins than our core is pulling down the overall ratio. But that's really not an indicative of decline in profitability of the properties. Portfolio occupancy dropped in the quarter to about 90% from 95.9% from the on-boarding of these new properties.

Many of which were in lease up. Where we took them with very low or no occupancy because they were brand new and reduced occupancy in the student portfolio. Student portfolio normally at this time would be call it high 99%, lease like 99.9%, but today sits around 80% due to COVID because a number of people, particularly foreign students, less. So Canadian students have come home to study, or stayed home to study normalized funds from operations dropped from thirty two dollars to twenty four cents. We attribute a large portion of this decline, the on-boarding of these new assets, which are as yet not stabilized, and we carried a lot of surplus capital this year, which we've messaged today our liquidity buffer sits at around a quarter billion dollars post the REIT merger, but for a good chunk of this year. In the beginning of the year, we were sitting around 350 to 400 million because we're conservative and we'd rather have that excess capital and not need it. So I think these are our short term solutions. Year to date, we've added almost 2800 units to the portfolio, with a very strong pipeline of another 2200 units in due diligence right now slated for completion if they all pass by Q2 of next year. Market activity has been exceptionally strong and we anticipate adding to that pipeline as we progress through 2021.

Property portfolio today is 81 properties and about just short of 12,000 units. We've continued to focus on closing our gap to market rents, and even during COVID we've been successful with that. The dollar gap to market declined from year end of 14.5 million to 11.6 million. The percentage market got declined to 6.6 from 11.6. But this largely reflects that we've added many new properties to the portfolio and set the rent gaps to zero in these properties until we stabilize them and prove that our higher ends, at which point we anticipate to see our market rent gap increase.

So in other words, when we bring on a new property, what we're trying to do is we set them at zero. So we're increasing the denominator effect in the calculation and percentage market rate gap, and until we've actually proven some rent out, we put our gap at zero, so the numerator doesn't go up any corresponding amount. So that's why you're not really seeing it, but we think it's there. I mean, that's why we buy these properties, but we like to prove them out before reflecting in our metrics. I'm also pleased to announce that the REOT merger yesterday was approved by unit holders of REOT at the unit holders, meaning with 99.64% support.

So that's really quite great. We're very pleased with that and we expect the merger to complete on December 31. The mortgage investment portfolio performed very well. Defaults are at about 4%, which is below what we think is normal for what we do, and especially so during COVID. It's worthwhile noting that even with that low default rate at this point, there's nothing that we expect that we're actually going to take a loss.

We continue to dramatically outperform our benchmarks like market rents and inflation. Since 2013, we've increased our NOI same sort of basis by almost eight times faster than inflation and four times faster than CMHC rents. You can see that's in the first chart here with the red line representing what we've done with our NOI, the yellow being what market rents are. So NOI is running higher than market rents partially because we're moving both sides of expenses and income. The gray line represents CMHC market rents and the bottom blue line represents Canadian inflation.

So almost an eight time out-performance of inflation. As I've written in my white papers over the last little bit, we happen to believe that inflation is around the corner and we have historically significantly outperformed on inflation. And we think that this is a good vehicle to hedge against an increase in inflation, which is our default view. You can also see that we've continued to grow our revenues. In fact, you can see that the revenue growth and this is the bottom left chart here are slower than they were in previous years, which is kind of what you'd expect with rent freezes and the disruptions of COVID.

But still, total operating revenue growth at 4% is actually pretty consistent with the three years prior to the last three years. So that's very good. And our sales or same store and NOI growth rate just short of six, although it's slower than prior years, I think this is still most people would be very happy to be growing their income base at these kind of results. So we're very happy with it and we do think that this is going to pick up once COVID is behind us.

Busy quarter with acquisitions. You can see the three properties we bought. There's Quartier QB in Quebec City. Almost 700 suites in Quebec City. There's Trio, which onboarded this quarter as well in Kelowna 175 suites.

Both of these are new construction. And the hub, Calgary, which is a luxury student property built with our partner Campus suites, and that's almost 500 bedrooms. 348 suites, but 500 bedrooms. So we're excited about that and that's leasing up nicely.

Leverage is currently around 37%, up slightly from your end as we've onboarded new properties which were financed and also been very busy financing debt maturities given the exceptionally low rates of interest. So we've been financing things between one and a half and call it 1.8% for ten year money, which is the tenor bucket that we're most focused on. We currently have 33 financing files open for various properties and acquisitions. And that represents the largest number of financing that we've ever had going consecutively at a single time. So it really reflects not only the size of the portfolio, but some maturities, the activity of new purchases, but also we're getting well ahead of our maturities to get our Cmate certificates in hand so that we can finance it at these rates.

Portfolio allocations I'll focus on the top chart. So today we're calling about 14% of the portfolio.

Not to interrupt, is it possible to make it a little bit bigger? I've gotten some comments that some of the slides are a little bit yeah, that's great.

The Canadian apartment is 68%, REOT is 14%. You'll see these two categories merge at the end of next quarter where we see investment in REOT and the direct mortgage investment, which is the purple merged together. So these two slices will merge together. Student today is around 9% and US apartments are around 4%.

This might be a little bit hard, but I'll just point these to you. This is the property stabilization. So you can see with new acquisitions, we've really increased the portion of the portfolio today which isn't stabilized, which is a bit of a drag on the short term, as their experience shows. We really get the fastest rent growth once the property is stabilized. And I'll show you that a little bit later.

Today about 34% of the portfolio is a new addition or unstable, which is the highest ratio we've had in about four years. So if you see the stabilized portion here, that hasn't been there and since about here, if you look at this lower chart, it actually shows you the breakdowns between the stabilized and unstable Alzheimer's. You can see it's not because we're taking stabilized properties and making them unstable, it's because we're adding new properties and we continue to stabilize some of the repositioning properties and the unstable over time. So we anticipate that these green bars you'll just continue to see go up over time, as has been historically the case for us. And here's just another representation of that.

You can see this is stabilization by year of acquisition. We've always published this or published this for quite a few years. So you can see that basically the bulk of the portfolio that we've bought here, which is the blue and yellow, is still unstable eyes, so we have to get that. And you can see historically it's taken around to two or three years, 18 months to two years to get newly on boarded properties to the point where we really started or to see the best results.

This is, I think, something really interesting and really shows how strong the apartment market has been. So if you look, this is how we break out, how rents are moving, and you can see the buy stabilization our stabilized department saw on turnover. So this is any unit that turned over in this one year period versus the same quarter of last year. So rent increases of almost 14.4% on a turn. I would say that that is a dramatically excellent result for the market conditions that we're in.

So I think that's very good to see. And here's the gap to market, which we talked about a little bit before. You can see the gap to market has declined, as you saw on the above chart. We are extracting those rent increases and they're coming into income, but the percentage gap fell off. Again, as I explained before, this is coming because we've added new properties, which is increasing the denominator and not adding anything at the moment to the numerator of that calculation until a later time.

That's actually a fascinating stat because that's one of the great strengths of the many strengths, is that rent to market rent gap, you're saying that as new buildings come on stream and are stabilized, that rent to market rent gap will even increase, so there'll even be more possibility for extracting rents going forward.

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Again, as, because if you look at this above chart, right, and it might be hard to see, so I'll try and blow this up, but you can go to the report yourself. If you look at the difference between just the apartments, just focus on the apartments because it's the easiest but stabilized apartments, rents on turn went up 14.37% or 14.4%, repositioning properties, 3.29% and unstabilized, zero point 64%. And a lot of people have this impression, oh, well, the new stuff that you bring on, the one that has the most opportunity for upside, shouldn't you be seeing the fastest growth there? And we always tell people it's kind of counterintuitive, but when you have a property that you're trying to do a whole bunch of things to residents or potential residents generally don't respond very well to jack hammering going on all day, or the smell of paint or dust and dirt everywhere.

So you have to get that property through that process. And while you're going through it, your goal is to just try and maintain the occupancy that you can, but you're not pushing on rent once you've got it stabilized and you've created an attractive community, and we call it stabilized, and you've obtained near full occupancy, that's when you have the opportunity, you have pricing power and you have the opportunity to start to push on your revenues. And this has been fairly consistent, not the numbers itself, but this relationship that these properties tend to perform best when we've actually got them stabilized and can start extracting value. So when you think about the number of new properties that we've added and reflecting a zero rent gap, we don't think that that's actually what's happening. We think that just for our own monitoring purposes, we don't like to put those in until we've actually stabilized the property and proved out with the rents that we think we're going to be able to get. So that's how we do it.

Interesting.

Okay, so let's go. This is a chart we also point to quite a bit and this is our quarterly trend growth rates and the net operating income ratio. So you can see here the green is the volatile move and quarterly margins and you can see it goes up and down, up and down largely due to seasonality. And the blue is the trailing twelve and we've just started putting in the same store trailing twelve. And the reason we do that is so that you can see the impact of what is the portfolio doing on a same store basis and compare it to because the overall aggregate number when you factor in. If you bring in a new property that's got no revenues because it's empty it's going to affect your ratio. But it's not necessarily a reflection of success or failure because it's just too weirdly to judge everything. So that's why we've broken that out some more. Same store analysis stabilized properties. Total operating revenues increased to 4.21%, NOI increased 5.1% and the NOI ratio itself rose by zero point 56%.

Average rents were up 6.78%. So we think that's again really strong results in this period in the last twelve months, nine of which have been basically covered, where wages in GNA were the most impacted expense lines as we paid site staff more to deal with the increased workload and perceived risks of COVID and some additional costs of covered but otherwise very strong results. Very happy with that a little bit on total returns, pretty solid stable returns we're very happy with. Portfolio seems to just be chugging along. So this is total return since inception of the REIT and the extended track record going back to the launch of Cap LP, which actually became the REIT.

That's an 8.6 times bagger over the course of those 14 years and I think next year we'll round out at ten times which I think that's a fabulous result for anyone who's been initial supporter of ours. So that kind of wraps up my summary of the financials, but they're on the website for everyone to review and I think we'll move to the questions that Paul's prepared.

Yeah, great, thanks so much. It's great that you took us through the quarterlies and again, as Greg mentioned, those quarterlies are available on our website and I really encourage everyone to again take a look at them. It's very visual so you can get a real sense of the performance of the read on a visual basis.

So thank you Greg for really opening up the hood and showing how the motor has been working. Maybe I'll start with my first question. That's actually a more general question, which is what are your general impressions of the Canadian real estate sector as we head into 2021? It was a fantastic year for us in 2020 despite the fact that there was even COVID. But what are the sub sectors that you also like in 2021?

Well, more than any time I can recall, she can't generalize real estate. I've always said that real estate is not homogeneous, and COVID really has demonstrated that really clearly.

Certain classes have done really well. Apartments, industrial warehouses, medical offices, all did pretty well. And others have done poorly. Some poorly. Retail has done poorly.

Hotels were disaster. Senior facilities don't get me started. That was really bad. Offices will continue to suffer pain for as far as I can see, even though the impacts today, largely because of the nature of the long term leases of most office buildings, is probably helping keep them in check. But there's not many office properties that are trading because I don't know if anyone knows how to price them today.

And you can also see regional divergences. So with dense downtown core performing poorly, everyone's seen the stories about downtown Toronto condos, but you can't compare them with the suburbs and the exurbs, which are rocketing higher as people flee the cities for more space and freedom. Quite frankly, it's not just space, it's also freedom. To summarize, you just can't generalize the real estate market and quotes as good or bad. You have to look deeper.

As I've written in my white papers, I believe apartments are the place to be, particularly in the suburbs. And excerpts today I still do like logistics warehouses and I still like medical offices. Everything else I couldn't touch with a barge pole.

That's great. Thanks Greg. And I like to remind people that Greg actually has written a paper on the different real estate sub asset classes that's also on our website, easily downloadable. So a strategy that we introduced, or you obviously introduced, I guess about maybe two years ago, was a strategy into the United States and wondering if you could sort of update us as to your thoughts about the US visa? Visa? What's here available in Canada.

Sure. Well, right now we're seeing so much opportunity in Canada that our focus is entirely here. One of the big difference between Canada and the US. Is the US is a trading market in Canada is not. What this means is that once a property sells in Canada, it's pretty much locked away in a portfolio for a very long period of time. So if you miss an opportunity, it's probably gone in the US.

Because of its trading nature. We know that when we turn our focus there again, there will be opportunities. So we don't feel like we'd ever really miss a window in the US. Unless we think there's just going to be a fundamental move and cap rates in the US. I don't think that that's currently on the table.

So I don't think that there's a timing advantage to be focused on a market timing advantage to be focused on the United States where there is one in Canada. Further, we think the Canadian market has far more supply constraints which have not been resolved, and because they're mostly political, they're not going to get resolved and stronger demand drivers at the moment. So the Feds have announced they want to let in somewhere in the neighborhood of 1.2 to 1.4 million people over the next four years or three years.

So that's going to be a tremendous amount of demand coming to our market and there's not enough supply that will be able to feed that. The market is responding and we're seeing record interest in the apartment business and volumes have picked up quite a bit.

Thanks, Greg. Now this is a question that came in from an investment adviser just a couple of days ago. Now, we've been really spoiled over the last couple of years in terms of the massive price appreciation or NAV appreciation of the rates this year compared to last year, not as robust, although the last two years were absolutely amazing. At what point do you see sort of NAV increases starting up again for the REIT? And perhaps a better way to phrase the question is what is your outlook on apartment building price appreciation for the future? Have cap rates been compressed as much as they can, or is there still more compression to come?

So we are seeing very strong interest from institutions to buy apartments and the market really is on fire. I called it in one of my white papers where I said I believed that we would see a rotation out of other segments and from certain types of buyers, particularly institutions that would be looking to rotate into apartments. And we're definitively seeing that.

We're seeing prices for value add properties increase, even though from an operational point of view, most managers are being conservative and trying to keep full and maintain collections during the COVID period.

So we've seen some deals that we ran our ten year IRRs on the prices that were paid mid, two caps and generating I call it a five year IR or ten year IRR of that makes no sense to me. So we just pass on that kind of stuff. I think next year we're going to start to see rents moving again and on a more broad basis, as immigration resumes and inflation becomes more broad too, that's going to start to push on rent.

There's no question from what we've seen in transactions coming in. And I haven't got my Q for evaluation estimates yet, but from everything I've seen in the last quarter, certainly, versus prior quarters, prices are up, bidding activity is way up, same time as last year. So I'd be surprised if we didn't see some growth. But I'm not suggesting that we're going to see dramatic growth next year because I think all managers today are being very conservative and trying to maintain Occupancy because opportunities for rent increases will come. But I think you have to be very cautious today to not get too much headline risk.

Fair enough. So here's a little bit of a question, a little bit of not an oddball question, but a little niche question is would you ever entertain buying a public REIT and folding it into obviously the private securing apartment REIT? If so, why or why not?

Yeah, if the opportunity came at the right price. We've looked at a couple of transactions and made a few proposals over the years on certain deals, but nothing came at the price that we were willing to pay. And very often when they go to the public route, most of the time they're pretty competitive and we'd rather not get into a bidding where it's just ten really not how we buy product.

Interesting. So here is the condo question. This is one that's been asked quite a bit. It's a little bit of a longer question, but can you please differentiate between the condo and multifamily rental apartment real estate sectors and explain how an overabundance of vacant condos will not necessarily fill the gap for much needed rental apartment accommodation in Canada?

That's a good question. So we've asked this number of times.

Condos are not apartments. So that's my first comment. And when we talk about the condo market surplus, and this is really a function of the media today is really quite poor. And whether it's budget constraints or whatever, they spend no time researching their articles. And as a result, they're very they tend to be Toronto centric and map that onto what they think the rest of the whole of Canada is doing.

And that's the problem. So when we talk about condom market surplus, this is largely a downtown Toronto and Vancouver issues. It is not as much as the papers write about it, they just don't know. They don't know anything. I was going to use a better word than that, but I'll just leave it at that to address the downtown Toronto market.

It is certainly more competitive, but the average kind of renter pays much more in a condo than for an apartment. And we certainly saw this in 2009. In a recession, you expect people to downgrade, which tends to fill apartments and vacates condos. If you're worried about your job, you're not like, let's step up to a \$2,500 condo, let's step down to a twelve or \$1,500 apartment. That's one of the ways people will save money.

So condos will take it on the chin far more than apartments ever would in the same location. Also, condos aren't permanent housing for renters, as there is no security of tenure, meaning they can get kicked out at any time, which doesn't happen in purpose built rentals. I think people understand this. They know this. I think condos benefited from the airbnb business model, which is now dead in Toronto, not just due to COVID, but from COVID plus regulations. And this will ultimately cause more owners to sell.

And this is part of the reason why we've seen condo listings in Toronto. I think the same comparable listings are up something 215%. It's dramatic how much listings are up in the city of Toronto for condos.

Fair enough. And I should stress again, as you've mentioned, is that the bulk of our portfolio, obviously the mass bulk of our portfolio is in the experts. Not in Toronto, but obviously in the surrounding cities where we're seeing rent increases.

Yeah, that's where people are going. It shows right in our results. Right. We're basically having on have we seen some impact?

Yes, we have. Has it been enough to move the needle on an absolute basis down? No, it hasn't.

Right.

Actually, ironically, focusing now on cap rates, what kind of cap rates are you seeing on the deals which come your way? And once an acquisition is made on a building at, let's say, a certain cap rate, what measures can you employ to increase the cap rate? Otherwise the yield on that building?

Good question. So value add product in GTA today is trading in the mid two S. Just crazy.

I can't touch it. So we're not just not attracted to that. We're not doing those deals. We're buying mostly new product with vehicles between 4% across the country, depending on the market. And what you're able to do to move the cap rates afterwards really is a function of a couple of things.

Energy and utility retrofits renovations that move rent, and also savvy marketing and leasing strategies to drive traffic and close leases. The more demand you can drive for units, the more rental upside you have the opportunity to create. This is one of the reasons why, yes, we like to see rent increases, but we're more focused on Occupancy because it's very hard to drive rental rates when you have 40 units at a site to rent.

When you have two, you've got pricing power. When you have 40, you have none. Other have low levels of vacancy loss because vacancy can't be replaced. Right. It's money that's gone. So we like to keep that low and then use those marginal turns to drive income when we can.

Actually just picking up on that on the cap rate side, just because we didn't get a question right off the bat right now is Quebec. I noticed that we've bought a couple of buildings in Quebec. Does Quebec actually exhibit some nice cap rates? Good value?

I think cap rates in Quebec are pretty good value. One of the other reasons we've been very focused on Quebec, Quebec has the largest leasing market in the country, not only in terms of absolute size, but percentage of market.

So, whereas we talk about outside of Ontario, like two thirds of people own, and that ratio is basically flipped in Quebec. And there's been a lot of new construction in Quebec, and it's exactly the kind of product that we're interested to buy. So that's where we're seeing opportunity or. One of the places we're seeing opportunity.

Fair enough. At the risk of kind of reiterating yourself any sort of operating metrics which you would like to sort of focus on again. Or just sort of highlight a second time given past year.

I point to page 15 of the MD&A. Which is to show how we've dramatically performed market rents and inflation and how we've been able to grow same store in a wide about 10% per year for the last seven years. That would be one thing I would highlight. People today I think are looking for inflation hedges, and I think we've got a great tool that people can understand to see that. I think you also look here at page 27 and you can see we tracked this down. We're going back to early 2010 and you can see we've consistently been able to drive the trend. We think we'll continue to be able to do so.

That's great. I think that shows continued progress in the portfolio. So it's certainly a metric we watch quote carefully, and we're very proud of.

Fair enough. Again. We've touched upon Quebec. We've obviously stressed out Ontario, and everybody knows that we're very enthusiastic about the BC, lower mainland and Vancouver Island. Again, I get a couple of questions just on the go here. Alberta, I know we have a really solid portfolio in Edmonton. Care to comment just how that's proceeding?

Fine. The challenge there in downtown Edmonton is similar, but similar to downtown core Toronto. People are moving to the suburbs, but we've also got product which was value at which we bought with the intention to renovate. One of the challenges today of renovating, and it's never 100% easy if you're going to be doing some heavy capex work. People don't like the dirt, the mess, the noise, but now everyone's working from home.

So if they're sitting on a Skype call and you're banging away two floors above, people get really irritated. So certainly the pace of renovation is slowed down and probably the disruption caused by the renovation is larger than it would have been. Because when people were at work, they complained it in like seeing the dust when they came back. But they largely were immune from, or at least most of them were immune from the disruption. And today almost everyone's exposed to that disruption. So, yeah, I would say that's having it's a bit of a pain in the butt, but it's just what we have to deal with. And I think it'll just be fine, ultimately.

Yeah, we'll work through it. So, in the context of the upcoming reaut rejoyant, which was very well accepted right across the board, what will be the anticipated percentage waiting of multifamily and commercial mortgages in the portfolio and what is the outlook of that book for 2021?

So that's an interesting question. So we anticipate that the rent will be less than 20% of three and go forward years, right. Or in this year after completion, and probably after the completion of a couple of acquisitions will be down to call it high teens, mid teens. This is something we've messaged for years, is that the REOT book would grow and then decline, not because we're doing less than REOT, but because REOT assets turn over and they mature and then they become stabilized properties which stay on the balance sheet. So even if you stay at a certain level of activity, ultimately the denominator, your calculation just gets incrementally larger. And we can see that's what's happened. In fact, the percentage of the portfolio made up of REOT peaked around 2017, 2018, and has been on the decline ever since. Again, not because we're less excited about that business, but just because what we said would happen has happened and the strategy has been successful.

Another area where we've been very successful in messaging, although it makes up only 9% of the portfolio, is student residences. So here to comment how student residences are faring in the rate, I think.

They fared much better than a lot of people were fearing. Many students ended up showing up, and today I think we're around 80% occupancy on the student portfolio we continue to lease. So in normal years, immediate occupancy leasing would stop around the first week of September.

But students continue to show up because for one reason or another, either they want to be with their friends, or they're finding work from home, or being with their parents or is particularly difficult. It's often not reflected upon by our politicians or our academic institutions that there are large segments of the Canadian population in university who don't have adequate access to high speed internet and actually can't attend classes appropriately. The other thing is that not everyone has the space or the facility to be able to attend a class or participate in a class. They might have younger siblings. They might be in a one bedroom apartment with their parents, or two bedroom apartment with family members who are also working from home.

So there just might not be the facilities for them to do these things. So I think that's a good chunk of why students show up or have shown up. We certainly expect, from what we can see from our visibility, we're expecting January to be better than it is currently because a lot of students have anticipated coming for the January sessions. Also, it seems that more foreign students are starting to come back. And as we move along with the rapid test at airports, we expect that that will accelerate and probably back to, I'd call it normal with vaccines into Q2 of next year, probably by the end of Q3, beginning of Q4. When students are back to school, I think we'll pretty much be back to normal.

We look forward to that day, the great prospects of 2021. I'm a little bit embarrassed that I didn't actually have this question written down because it's definitely one that's always of interest from advisors distribution yields, given obviously the fantastic rate of return of the reach, sometimes people think, you know what, maybe you could increase the distributions a little bit. Wondering if you could give a little bit of the background of the philosophy as to where and why you said distributions the way you do.

Well, look, I mean, private or not, we still compete for capital against public, and we compete also for investment properties. And it sets the hurdle rates otherwise on deals that were able to accept. So if we were to, say, try and pay double the amount of distributions, not only would those distributions be less secure and they would also force us into two situations which I find unacceptable. The first is very few properties are then when we're trying to buy something and it's a competitive market today, we won't be competitive to buy that property. So it means we do nothing right, and that opens up something. And I think I've been doing this for over 30 years and managing money for over 30 years.

So I understand very well the psychology of being for feeling that you have to stretch on deals and I try to be disciplined enough not to. I think I've got that practice down pretty well. That being said, I want to remove the incentives to do that. And I think when we've seen other financial products where they've gone out with unrealistic or unrealistically high distribution rates in many cases, what that forces the manager to do, not saying that I would do it, but I want to remove the intention to reach for healed and risk to be able to meet a hurdle rate. And I think that that's just a bad combination.

It's bad risk taking because generally speaking, in my experience as well, risk is nonlinear. It's exponential. And I would rather be in the center of where I think there's a good balance between risk and reward rather than be forced by an artificially, highly set cost of capital. And the other thing I like to mention is for investors that say that they want to get two points or more yield, to the extent that we're providing total rate of return in the last 30 years, we've compounded around 20% per year. So 2% of units if you need 2% more cash, right, that at least allows investors who need that cash flow to create it themselves without imposing that externality on all investors and on our capability to allocate capital in a way I think is appropriately risk adjusted.

Thank you for addressing that. I know that is a question of great interest to many advisors. So for my last question again, I'm going to sort of bring out the lens again. So looking past COVID, how do you see the world economy playing itself out and how do you think an investor should position themselves for the foreseeable future?

So this was the subject of my last white paper. It's not obvious I'm pretty pessimistic on the world economy, given the amount of debt that is racked up globally. And Canada has piled up debt faster than anyone else as a percentage of GDP, not only government levels, but corporate and also individuals. Inflation is already here. You can see that in restaurant and food prices, insurance rates. I mean, we're seeing significant pressure on insurance rates, not to mention house prices and stock prices, although technically they're not in the inflation metrics.

Anyone looking the stock market sees that money is flooding into real assets. In my opinion, it's only a matter of time before it spreads even more widely. So I'm convinced that the only way to position for the period of adjustment that remains ahead is to be in real assets.

And obviously, Canadian multifamily would be one. Of those core assets, I believe. So we benefit from general link of rents to inflation, not to mention we've got a shortage of products. So there's not only supply tail end, there's a demand driver that's also a tail end. Low interest rates is a tail end. Inflation increasing. This is a tail end. So all of these things are positive for, I think, the Canadian apartment industry. And there's not going to be if you just look down the business, like, how many businesses are just closing everywhere, and we're really fortunate to have not been hit by covet, but I think we can't take that for granted. And I think all of us, as investors, have to be looking at, okay, what are they going to be the consequences of near unlimited money printing? And I think the only answer is you got to be in real assets. Whether it's apartments or precious metals, you got to have real link to real assets.

Well, Greg, it's great that multifamily acts as a great bulwark against those trends going forward. Well, that's about all the time that we have today.

So, Greg, as always, thank you so much for all of your insights. It looks actually like the prospects, as I mentioned, for the week and for the Canadian multifamily rental apartment sector looks very strong for 2021.

To every one of you who have joined us on this webinar, I would like to thank you on behalf of Greg and myself and your wholesaling teams for your time, your interest, and most of all, your support these past years.

It is truly greatly appreciated. And so, again, on behalf of myself, Greg, your wholesaling team and the entire staff at Centurion, may we wish you a safe and happy holidays and a prosperous new year.

Have a great day, everyone.

Thank you. Bye.