OFFICIAL TRANSCRIPT

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Q & A for Q3 2021 Centurion Apartment REIT Update Webinar

Hello Everyone,

Welcome and thank you for joining this Centurion Apartment REIT Zoom Webinar with Greg Romundt, President and CEO of Centurion Asset Management.

My name is Paul Mayer, Head of Sales, and I will serve as moderator for this Webinar which should last around 30 minutes.

Today's discussion with Greg will take the form of a Q & A. Given the large number of participants, all participants have been placed on listen only.

I should also like to mention that this Webinar is being recorded and will be available on our website at the end of the week.

The Centurion Apartment REIT now has over $ 4 B in AUM with an annualized rate of return since its 2009 inception of 13%/year.

Greg, thank you for your participation in this Webinar.

***Q*. Let's begin with acquisitions. It's been a busy quarter, a busy year. How about highlighting some of the REIT's more recent acquisitions culminating with a discussion of this month's 30 building portfolio purchase announcement.**

A. Thanks Paul. Yes. It has been a busy time on the acquisitions front. Among the recent properties we have bought are:

Station Place in Etobicoke – a 40 floor 333-unit luxury multi-residential property. This was a joint venture with First Capital Realty and Main & Main which may be the beginning of more to come. We are very pleased with this purchase as it is very difficult to access Toronto at reasonable prices.

STEPS in Edmonton. We took over this property as a work-out from a defaulted project we had financed, built it out and are now pleased we are in an operating position with the property.

Peatt Commons in Langford – This is another example of our commitment to growing our presence in Langford and Vancouver Island. Centurion now has over 500 units in Langford alone.

1 Columbia in Waterloo – We moved from a 50% to now a 100% ownership position in this student residence.

Urban Square in Winnipeg – a 145-unit transaction. Centurion now has interests in 4 buildings in Winnipeg, totaling 943 units.

The 1st phase of our student residence at Simon Fraser University in BC. This SFU opportunity could lead to the financing and ownership of approximately 2,000-2,500 student beds over time.

Upcoming we have:

21 Columbia in Waterloo -This student residence will be a complimentary tuck in to the previously mentioned 1 Columbia Place acquisition expected in December or January.

Scott Road in Surrey – which is the closing of a 1st phase of a $ 185 M project expected in January.

Plus, we are buying a two thirds interest in a portfolio of 30 buildings in the Montreal area that comprises almost 3,700 suites and will be the largest multifamily transaction in Quebec history and one of the largest in the country. We're very excited to be able to gain such a substantial presence in this market as it is exactly the strategy we've been talking about for years; new construction and in the suburbs and exurbs of Montreal, Toronto, and Vancouver where we see people moving to for affordability, availability, and space. Cost per suite and per sq. ft. for new, concrete assets is cheaper than we can buy 60-year-old product in the suburbs of Toronto. We paid about $258k/Suite or $368/sq. ft. The average building vintage of the portfolio is 2 years and thus there is not a lot of work to be done. Closing is anticipated for November or December. We have been working on this deal for almost a year now during which my team and I have personally walked through and inspected every building and hired, as we always do, independent 3rd party engineers to give their assessment of each of the properties. Only $ 5.5 M of the total $ 950 M deal remains unfinished for which we have a hold back provision.

All in all, we are thrilled to add this portfolio to the REIT.

After all is said and done, we anticipate Centurion's AUM will exceed $ 5.0 B in Q1 of 2022. I would very much like to thank all of you on this call for it is the advisor community who made this growth possible.

Q. Greg, you have stated repeatedly that Canada will build more apartments in the next 10 years than we have in 2 generations. What are the opportunities for Centurion right now and do you feel you're in a strong position to take advantage of these market opportunities?

A. We are drinking from a Fire Hose on the deal front. Exactly what I said would happen over a year ago. We are actually going pencils down on most new deals because we have to get through the existing transactions and onboard them. As a I said, we are slated to close over $1 billion in deals in the next 4 or so months. So, we will be open for capital for a while. We will continue to need capital to seize on the opportunities that are being presented. There are portfolios of older buildings in the market as there always are and they fall into two buckets too: Value add funds whose life is up and now in the realization mode, and multi generational families which have been the historic supply usually because the younger generation just wants the cash or isn't interested in being owner/operators. There is a lot of competition in the acquisition of older fixer upper rental apartment buildings. We're seeing deals in the 2-3% cap rate range, and we just can't make the numbers pencil.

Almost everything we're currently interested in right now is the new stuff. We're also seeing lots of opportunities in financing the construction of new apartments, so the forward delivery pipeline is growing rapidly too.

***Q*. And your focus still remains here in Canada as compared to the US?**

A. Yes. Given that the US was ahead of Canada in vaccinations, and also in opening up, and that their border has been wide open, rents in the US are exploding higher right now. However, given that Canadian housing markets were tighter than in the US to begin with; that planned immigration rates are higher into Canada than the US; that Canadian housing supply is constrained by long approval times and NIMBYism, and thus less able to increase to satisfy housing demand than the US, I expect Canadian rents will follow suit in the months ahead and will explode higher, particularly given that house prices here have advanced faster than in the US. So, on balance, I like Canada more than the US. We've seen a few opportunities to even get exits in the US that were well above expectations, so we are exploring those.

The REIT will remain focused on Canada because of the compelling supply / demand dynamics in the Canadian multi-residential apartment real estate sector. Supply remains constrained because of the lack of buildings supplies and labour. Building approvals take a long time. Immigration is expected to remain strong. Home prices do not make sense in Canada.

***Q*. Would you like to comment on any other segments in the real estate sector?**

A. Looking at the office sector, I don't see it recovering anytime soon. The office talking heads continue to talk their own books that the Office Mkt will return to normal. It will not. I have been saying this for a year. Vacancies are already at 27-year highs. The shift to remote/flexible work will permanently downshift office demand. Some companies will choose to be 100% virtual, others a combination of virtual and in person. Very few will return to 100% in office. The only question is how much an impact this is and how long it takes to play out. Investor demand will be for apartments and warehouse/logistics real estate. Retail and Office won't see the recovery that is being suggested, at least for a long, long time.

***Q*. A lot of political capital in this past election was spent on government pledging to take steps to alleviate the current lack of affordable rental housing in Canada's larger urban regions. Will this create so much supply as to drive rent downwards?**

A. I saw that. It is nuts. The experience of government owned apartments is very poor. Ever been to Russia or China and see the oceans of concrete block apartments that look like gulags? Closer to home, TCHC, Toronto community housing, which has over 100,000 apartments and is the largest apartment owner in Canada, is a disaster. They had at last count I'm aware of, a $2.5 billion capital deficit (i.e., their buildings needed that amount of money to bring them to standard). They are crowded, unsafe and poorly maintained, people can't be kicked out, so this leads to all kinds of negatives like criminality, violence, and non-payment, which means there's no money to even maintain them, let alone make them better, nicer, safer places to live. And if no one pays, and you can't cover costs, which TCHC can't, then where is the phantom money that these activists say could be used to build more housing? If we ran our buildings like TCHC, I'd be in prison, but because it's government, they get a pass on inaction in fixing their problems.

We have three levels of government, and it is at the municipal level that we have bottlenecks and NIMBYism that prevent progress being made. The Feds can throw as much money at this as they can print and won't solve this problem. The best the feds could do would be to offer up tax incentives to developers, but in the current environment, I don't see that coming. So, I see no structural fix coming.

The entrance of over 400,000 new immigrants/year into Canada requires that around 200,000 new accommodations be built a year. It will be impossible for Canada to build the 1 M + it will require over the next 5 to 10 years, no matter how much money is thrown at the issue. The limiting factor is local planning. It has been estimated that Ontario alone needs 1 million homes, just to meet demand. No chance we get there.

***Q*. What about plans from the private sector? This summer, Toronto-based Core Development Group announced plans to buy $1 billion worth of single-family homes and convert them into rentals. Have you ever thought of buying individual homes as rentals?**

A. Their thesis is misguided IMO. They say that they see no reason not to do this strategy in Canada, but it is right in front of us.

This strategy started in the US in the financial crisis. So, the buyers bought bulk properties for way less than cost. Cents on the dollar. It was a vulture strategy. Foreclosures were everywhere, there was blood on the streets, and people losing their homes and an inability for individuals to qualify for credit to buy. So big buyers hoovered up whole neighborhoods on the cheap. This isn't possible in Canada. Prices are trading at all-time highs and are currently in bubble territory. The prices for homes is $1 million plus range not $20-50k each like they were in the US in the crisis.

The price to rent ratio (inverse of the rental yield) is at all-time highs. Rental yields on houses are terrible. Worse than that, there are no economies of scale in managing. If you own 300 houses in an area, that is 300 roofs, boilers, driveways, lawns to manage. In a 300-unit apartment, you'd have multiple live-in managers, maintenance staff, one roof, one boiler system, one driveway and one lawn to mow. But how are you even going to get 300 houses in a neighborhood when you have multiple bids from real homeowners on houses.

For owning single family rental homes, take management fees off the even meagre rental yield and I bet the strategy yield would be less than the cost of debt. i.e., it would have negative carry if leveraged and real estate is a leveraged game.

Houses aren't usually built for tenants. Apartments are. Houses are built for owners who will take care of them. Drive down any residential street and pick out all the ones with weeds, high grass, no flowers, and look tattered and you can almost always bet that it is a rental property, usually held by a developer waiting to tear it down. Very rarely do new houses in Canada rent long term to tenants. Usually, it is amateur investor condos that are rented, and part of the reason is the maintenance aspect of not having to do repairs, maintain systems, or mow lawns or shovel snow.

Housing is cheaper and faster to build in the US (for a lot of reasons) so it is possible, like some companies are doing, to build whole rental housing communities. It's a newer model, but I think it's possible in some circumstances in the US. I can't see the economics working here.

Further, there is the prospect for a serious political backlash. It is one thing for institutional investors to be buying rental apartment buildings and keeping them as rentals. It is a wholly different proposition to buy individual houses which people could own, and make them rentals only and deny steppingstones into home ownership for whole communities. That is similar to what got Airbnb banned in Toronto and many other big cities, because investors bought up units for investment, driving up prices and pricing out potential homeowners. The same affordability concerns are driving talk of anti-speculation taxes, capital gains taxes on principal residences, vacancy taxes and foreign buyers taxes. Large corporations like this hovering up houses en masse is not going to be received well.

***Q.* Turning to the broader economic picture, the specter of inflation has been a concern of yours over the past year which continues to take on steam. I guess the question of the day is, is it transitory or not?**

A. I called BS on the "transitory" inflation narrative, on all of this some time ago. Soon enough, people will see that what we have is anything but transitory. Then all hell is going to break loose. The fed will talk tapering, but it isn't going to happen, and even if it did, would be short lived. The world is so highly levered up, that there is no choice but to inflate debt away. Of course, the central banks will lie, and the politicians will blame the private sector (just like Venezuela did), but it won't matter. Without the money printing, everything collapses. So, the printing will continue and the melt up in hard asset prices will continue before going parabolic as investors realize that negative real rates are here to stay, and the only choice is to buy hard assets. We may get to a point where hard assets won't even be for sale because they will be hoarded as protection against inflation.

Supply chain issues also aren't temporary. You need to look at what is happening. The world has seen China for what it is. The supply chain issues, are now known to be national security issues. Tensions in Asia are escalating, and most western nations will be highly sensitive to being reliant on China for critical gear or anything in the event of escalation of tensions. Nations and companies will continue to move production away from China. Globalization which exported deflationary forces for decades is in reverse, and that could lead to years of reshoring and consequent price increases. No nation can afford to allow China to control supply lines. Globalization, as we have known it for decades is over, and will quietly move in reverse. Why quietly? Because, doing it loudly antagonizes China and may make them even more unpredictable and dangerous and also to keep the narrative in the West that supply chain disruptions and price increases are temporary. If the markets grab hold of this narrative, it could precipitate a collapse that starts in bond prices then cascades through all highly overvalued non-real assets like stocks.

Make no mistake, reshoring isn't just in the national interest of the West, it is now becoming a national priority, and may eventually get nudged into the category of a requirement either through taxes, trade barriers, or non-trade related pressures. Reshoring will be expensive and lead to inflation. If globalization was deflationary/disinflationary then de-globalization/localization will be inflationary. The world had 30 years to get used to globalization but will have to figure out how to deglobalize in less than 10. It will be a mess.

My core thesis remains intact, with more evidence added all the time.

Commodity prices are up over 50% since I published my paper last year. And this is just the beginning of a super cycle. Everywhere you look, prices are going ballistic. Food prices. Coal is hitting 13-year highs as "China is paying any price" to get coal. The UK is seeing mass panic and hoarding of gas. EU prices for Nat gas are hitting multi-year highs. These are commodity prices. Look at the 1-year rate of change. Up 75%. Tell me that's not inflation.

And this will be way worse because the fed can't hike. They are trapped by the massive leverage in the system, government, bank, corporate, personal. If they made rates 5%, let alone 20%, everything implodes. They know it. They are lying that it is transitory, or people would position for it and the jig would be up. Governments are also lying about the true rate of inflation. The Owner Equivalent Rent section which makes up about 2/3rds of the housing portion of the CPI index is much lower than real market rents.

The only period in recent history which resembles today is the period after WWII when Western governments had to inflate their way out of the massive debts they incurred during the war. However, what is different from the post WWII period is that today there is not only massive government debt but also massive corporate and personal debt. Governments have no choice but to inflate their way out of this mess with massive inflation and there is no way that interest rates can be raised without devastating the world economy. What’s worse is that post WWII, the west was the factory to the world because it had the only standing factories left. This led to decades of prosperous upward mobility for the American and Canadian middle class. While reshoring implies jobs, it also means inflation and debt overhangs will slow growth. Low growth and high inflation is stagflation, and it’s going to hurt.

***Q.* I was wondering if you could comment on the REIT's NAV's appreciation this year?**

A. I have been saying all year that the markets would tighten and that will start to get reflected in rents and in valuation models since in most provinces we used zero as rent inflators due to Covid rent freezes and that this was only storing up pressure on future rents. We've seen these forces explode into housing prices with values up 20-30% depending on location, pricing people out of the market. As the borders open more fully, I expect the rental market to be very tight into Q2 2022 and we're already seeing rents advance in numerous markets, particularly the suburbs with the city cores still softer than pre Covid but tightening quickly.

Inflation is coming everywhere, including in rents and real assets are the place to be for the next few years. I expect we'll be seeing this reflected in NAV's shortly.

Q. Can you please provide an update as to the mortgage portfolio within the REIT?

A. The lending focus of the mortgage portfolio has been restricted over the past 18 months to almost exclusively the financing of rental apartment construction and a few town homes and land deals. Given the growth of the property portfolio we expect the mortgage portfolio to shrink to about 15% by year end. The size of the mortgage book will probably be limited to $ 1 B because, with average an average TTM of 2 years, this means the book has $ 500 M coming back every year which needs to be redeployed. This year, more capital came back than was put out. However, we have many opportunities in the pipeline that we are excited about.

***Q.* And where do the student residences stand in the portfolio?**

A. Student residences currently make up 8% of the portfolio and I am pleased to say that with Canadian universities finally opening up to in class learning our student residence occupancy stands at 96%, 99% for the stabilized portion.

I should like to add that a recent international student survey of 3,650 respondents from 55 countries found that 39 per cent of the students rated Canada as their top choice for post-secondary studies. The U.S. and U.K., both at 17 per cent, ranked behind Canada, with Australia at 16 per cent. Of the students surveyed, 69 per cent also said that Canada was their "most considered" study destination, with the U.K. second with 48 per cent and Australia and the U.S. tied for third with 46 per cent each. More than 80 per cent of the international students surveyed say they were focusing on overseas on-campus post-secondary school options.

With our student holdings in Montreal, Calgary, Surrey, Waterloo, and London, and with some other upcoming additions, Centurion is well positioned to benefit from this international influx into Canadian universities.

***Q.* What keeps you up at night as your biggest risk?**

A. Government. Always government. Covid is just the most recent proof of how badly dysfunctional all levels of government are. Bloated, inefficient, incompetent, and corrupt. Imposing controls to be seen as doing something, always creating as much or more harm in entirely foreseeable consequences.

***Q.* What are your performance expectations over the next few years for the REIT?**

A. I am always asked this question and my answer is almost always the same 7-12% are my targets. We have beaten these over time but it isn't in my practice to overpromise. I do believe that the set up for the future is an inflationary one, supporting rent and value growth. I do believe that the market will continue to be dramatically short of rental units and that immigration will drive demand. I also believe that central bank manipulation of interest rates below the rate of inflation is here for a long time and that real rates are likely to be negative as a result, opening the prospect of outsized returns on real assets in general and apartments in specific. I haven't in my lifetime had the opportunity to own assets that appreciate with inflation and to be able to finance them with debt at less than inflation, and as such to potentially earn returns from both the asset and liability sides of the balance sheet. It is a unique set up and one that in my opinion, shouldn't be missed.

Well, that brings us to the end of this Webinar.

Greg, thank you for your insights into the REIT, the multi-residential apartment real estate sector and the economic landscape at large. The discussion was very enlightening.

On behalf of Greg, myself, and your wholesaling teams, I would like to thank everyone on this Webinar for your time and continued support. It is greatly appreciated.

I should like to highlight, as Greg mentioned, that the REIT is currently open and that he can very effectively deploy any capital which the REIT receives.

Should anyone have any follow up questions, please do not hesitate to contact myself or your wholesaling team.

Once again, thank you all and have a great day.

consultation with independent investment and tax advisors. Only investors who do not require immediate liquidity of their investment should consider a potential purchase of Units. The risks involved in this type of investment may be greater than those normally associated with other types of investments. Please refer to the Centurion Offering Memorandums for a further discussion of the risks of investing in Centurion.