

NEWSLETTER

December 2014

Good Day.

Our Quarterly Newsletter for Q4 2014 delivers the latest news and developments from Centurion Asset Management Inc., as well as some related articles with valuable information about the real estate investment landscape. Please take a few moments to read.



This illustration shows why investors need diversity in their portfolio by investing in an asset class that has no significant correlation to the stock market.

Published in The Globe and Mail, Saturday, October 11, 2014.

IMPORTANT ANNOUNCEMENT

Centurion Asset Management Inc. announces the Internalization of the Property and Asset Management of Centurion Apartment REIT and Centurion Real Estate Opportunities Trust

Centurion Asset Management Inc. ("CAMI") is pleased to announce that it has reached an agreement with Centurion Apartment REIT ("REIT") and Centurion Real Estate Opportunities Trust ("CREOT") to internalize their respective property and asset management teams. Some of the material terms of the transaction are:

- The ownership of Centurion Property Associates Inc., the property manager of the REIT will be transferred to the REIT, which will assume its assets and liabilities, including its staff. The REIT will not pay any fee or premium to the asset manager for the transfer.
- As a result of the internalization, the REIT and CREOT will share certain office, overhead, staffing and other costs that were previously incurred by Centurion Property Associates Inc. and Centurion Asset Management Inc.
- As the REIT and CREOT will no longer pay property or asset management fees, it is anticipated that there will be substantial cost savings and that these savings will increase further as the REIT and CREOT continue to grow. The REIT and CREOT will have access to all the resources they currently have but will only pay their respective share of current and future expenses.
- The rights to "The MARQ", Centurion's student housing brand will transfer to the REIT. The REIT will have the opportunity to earn management fees on third party management of student properties.
- Greg Romundt will continue to work for the REIT and CREOT in his current role as President and Trustee. CAMI will retain its Class "M" Trust Units which will also become exchangeable at the option of CAMI for any sub funds of the REIT (currently only Class "R" Units the Centurion Real Estate Opportunities Trust) or CREOT. The asset management contract will be

extended until December 31, 2024, providing the REIT and CREOT with the committed continuing services of CAMI and its team, including Greg Romundt.

- The proposal was prepared on the suggestion of Greg Romundt and approved by the independent trustees of both the REIT and CREOT. Wayne Tuck and Greg Romundt, as members of the REIT management team, recused themselves during the meeting of the REIT's independent trustees during their deliberations and abstained from voting on the motion to accept the proposal. Wayne Tuck, Greg Romundt and Stephen Stewart, as members of the CREOT management team abstained from the vote by CREOT's independent trustees on the motion to accept the proposal.

- Commenting on the transaction, Greg Romundt, President of the REIT, CREOT and Centurion Asset Management Inc. stated:

"Over the years that I've been building this business, I've consistently tried to find ways to cut costs and drive returns. As we have grown over the years and we've achieved increased economies of scale, we've consistently been able to pass on some of these savings by cutting asset and property management fees. This transaction represents the next stage in that process and in our evolution. With assets soon approaching \$700 million, the REIT is at a scale where it makes sense to internalize many of the functions currently provided by the asset and property manager, and there are significant savings in doing so. While the REIT isn't public, and there is no plan to be so, we've always tried to manage the REIT in a manner consistent with best practices and with an eye for what's best for the REIT and our investors. For CREOT, while we have only just made this fund available to investors, extending these savings to CREOT as part of this evolutionary process made tremendous sense and in my opinion further distinguishes CREOT's uniqueness in the marketplace. I love what I do and the team and I remain committed to continuing to build the REIT and CREOT well into the future."

- The asset manager, the REIT and CREOT are in the process of preparing a formal agreement for this process. The internalization is expected to take effect on or about January 1, 2015 and will be immediately accretive to both the REIT and CREOT.



INVESTMENT OPPORTUNITIES

OPEN

Centurion Asset Management Inc. takes a strategic and responsible approach to investment management and offers a growing portfolio of income-producing investment options that provide monthly distributions to investors and the potential for growth.

Both the **Centurion Apartment REIT** and **Centurion Real Estate Opportunities Trust (REOT)** are open for investing.

For details on the Centurion Apartment REIT or Centurion REOT got to www.centurionreit.com

CENTURION PROPERTY NEWS

Centurion makes 5 Property Announcements

Centurion Apartment REIT Announces the Acquisition of another Student Housing Property in Waterloo

Centurion Asset Management Inc., the asset manager of



Centurion Apartment REIT, is pleased to announce the acquisition of their 43rd property, a 176 bed student housing building in Waterloo on October 7, 2014.

Being branded The MARQ Waterloo at 168

King Street North, this 10-storey building has a total of 36 units, thirty-five 5-bedroom suites and one 1-bedroom penthouse suite.

Most of the suites feature a living room, open kitchen with breakfast bar, five bedrooms each with their own ensuite bathroom, as well, in unit laundry, a fridge, stove, microwave and dishwasher. The penthouse suite also features a balcony. All units are fully furnished with quality furniture and a flat screen television. Common areas include a student lounge with a fireplace and a large screen television, a gym, study room, 35 parking stalls (a mix of underground and surface spots), bike racks, and entrance lobby with vending machines.

The MARQ Waterloo at 168 King Street North which corners King St. N and James St. is conveniently situated

across from two other Centurion student housing properties (The MARQ at 167 and 173 King Street North).

This property is located walking distance to both Wilfred Laurier University and the University of Waterloo, but is also on the main bus route with a stop in front of the building. King Street North extends into the downtown core, accessible from the highway and boasts many shops, eateries and access to big box retail establishments.

This acquisition closed October 7th, 2014 and is being managed by Centurion Property Associates Inc., through The MARQ (www.themarq.ca).

The MARQ is dedicated exclusively to providing students with superior housing options with well-managed properties that are close to everything that's important in a student's life. Both students and their parents will appreciate the safe, clean and comfortable apartments.



Centurion Apartment REIT announces the Acquisition of The Huntington Apartment Building in Dartmouth, NS

Centurion Asset Management Inc., the asset manager of



Centurion Apartment REIT, is pleased to announce the acquisition of their inaugural property in Nova Scotia on December 1, 2014.

The Huntington is located at 58 Hollywood Court, Dartmouth, in the new and desirable residential community of Russell Lake West. Construction of this new six storey, 114-suite residential apartment building was completed in December 2013. There are 1, 2 and 3 bedroom condo-quality apartments for rent with very large floor plans, some with additional dens.

The Huntington has fabulous views of the city skyline and Halifax Harbour. In addition to the spectacular views from private balconies, some of the building amenities include: in-suite laundry, plenty of cabinet and closet space, abundant natural light, proximity to transportation routes, a fitness room, a car wash bay, above ground and underground parking, and a gorgeous rooftop lounge. The Huntington provides easy access to Highway 111 and the Woodside Ferry and is a short drive to Dartmouth General Hospital. This community is also directly across from Millstone Square, which boasts a Sobeys, a BMO, several health and fitness locations and a variety of retail outlets including restaurants.

Centurion Apartment REIT Announces the sale of 3 buildings in Tillsonburg

Centurion Asset Management Inc., the asset manager of



Centurion Apartment REIT, is pleased to announce that it has sold its three Lisgar Court apartment buildings located in Tillsonburg Ontario.

The Lisgar Court Apartments are located at 185, 187 and 191 Lisgar Avenue, near the intersection of Lisgar and Broadway Street, a few minutes' drive from the downtown core of Tillsonburg.

The sale price was \$3,650,000 and closed on December 4, 2014.



Centurion Apartment REIT Announces 100% Acquisition in its Montreal Student Housing Property

Centurion Asset Management Inc., the asset manager of



Centurion Apartment REIT, is pleased to announce the pending acquisition of the 75% ownership interest held by its partners in a 440 unit luxury student residence in Montreal. Upon closing, Centurion Apartment REIT will own 100% of the property. Originally acquired December 13, 2011, Centurion Apartment REIT has held a 25% stake in the property, with the balance taken up by partners.

The property will be branded The MARQ 515 at 1430 rue City Councillors and is the premier luxury student residence in Montreal. Serving a unique niche in the heart of downtown Montreal, its prime location is only a short walk to the McGill University campus and just 15 minutes to the Concordia University campus. This property is in the heart of St Catherine St and is surrounded by shopping, dining and entertainment options. The suites are fully furnished giving residents the convenience to move right in. Residents have their own private bedroom sharing the common areas of the apartment (bathrooms, living room, dining room, and kitchen) with roommates. The 515 has many premium amenities such as fitness & weight training rooms, theatre, games room, lounge with large screen TV, study and private meeting rooms, extensive CCTV coverage, sound proof music room, wifi in common areas,

underground parking and onsite management. This building offers students the perfect blend of comfort and a convenient living experience.

This acquisition is anticipated to close mid-December and will be managed by Centurion Property Associates Inc., through The MARQ www.themarq.ca.



Centurion Apartment REIT Announces the pending sale of a building in Hamilton, Ontario

Date: Thurs, 11/12/2014

Toronto: Centurion Asset Management Inc., the asset manager of Centurion Apartment REIT, is pleased to announce that it has entered into a firm agreement to sell its remaining property in Hamilton, Ontario.



Centurion Asset Management Inc., the asset manager of Centurion Apartment REIT, is pleased to announce that it has entered into a firm agreement to sell its remaining property in Hamilton, Ontario.

The St. Joseph Apartments is located at 118 St. Joseph's Drive in downtown Hamilton, near the intersection of Charlton Avenue East and John Street, and close to St. Joseph's Healthcare Centre.

The expected closing date is on or about January 28, 2015.



For more information about Centurion Asset Management Inc., Centurion Apartment REIT, Centurion Property Associates or The MARQ, visit us online at www.centurionreit.com.

INVESTING IN REAL ESTATE

(3 Part Series)

Part Two: Student Housing in Canada

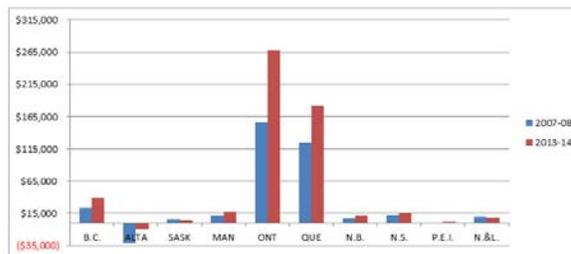
Now that our students are settled into first term, and as we jump into our leasing season for the 2015/2016 school year, we thought we would focus our second part of this series on Student Housing. In this article we will look at the impacts from the government on Universities, the increasing demands (enrollment and expectations), and the real estate investment into student housing.

Being the only REIT owner of student housing in Canada, we have learned a few things about the needs and wants of students, the requirements of the students' parents, how to partner with Universities and how to manage these properties to provide investors with the income and stability they have come to expect.

Provincial Debt/Strained University Finances

The primary source of funding for all universities is the provincial governments. The increasing government debt loads is a challenge for universities. Below is a comparison of the provincial debt in 2007-08 to 2013-14. Net debt across Canada has for the most part increased. Although Ontario and Quebec are the most glaring examples, even in Alberta their surplus of \$31 billion in 2007-08 is projected to shrink to slightly under 4 billion by 2016-17.

Provincial Net Debt (Million \$)



Universities across Canada have historically been largely reliant on the provinces for the bulk of their operating budgets. Finances have been strained by the financial crisis we went through in 2009. The debt problems of Ontario and Quebec are well documented with net debt in Ontario coming in at \$267 billion and in Quebec at \$175 billion. It is not surprising that funding and grants for universities are being cut. However these cuts are being extended across Canada even in the resource richer provinces of Alberta and Saskatchewan.

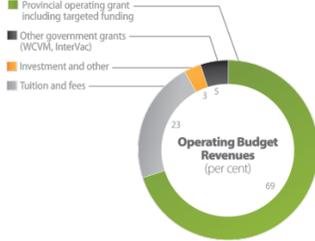
Looking at major universities in both provinces and the financial circumstances they have found themselves in, we note:

- In March 2013, the province of Alberta slashed university operating grants 6.8%, which equates to a \$40 million dollar loss of funding for the University of Alberta
- In 2013 the University of Saskatchewan's budget assumptions had to be drastically adjusted as the expected 5.8% funding increase from the government, came in at only 2%. This has led to an expected shortfall of \$44.5 million by 2016.

The fiscal situation at the University of Saskatchewan is a familiar one for universities across Canada. The 2013-14 Operating Budget Summary highlights an operating deficit of \$3.3 million. Going forward this deficit is projected to grow to \$44.5 million if expenses aren't reduced. Below you can see how heavily dependent the University of Saskatchewan is on provincial funding, a situation that is a familiar one across Canada.

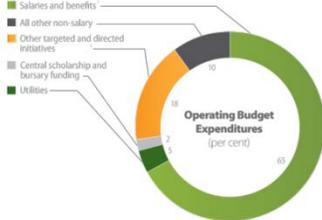
Revenues

Revenue within the 2013-14 detailed operating budget totals \$467.9 million and is comprised of four key elements:



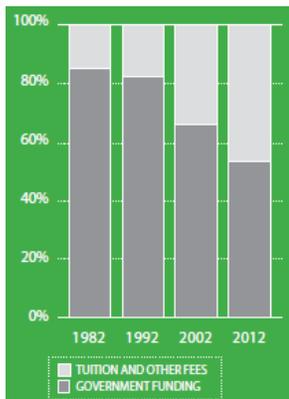
Expenses

Expenses within the 2013-14 detailed operating budget total \$471.1 million and fall into five primary categories:

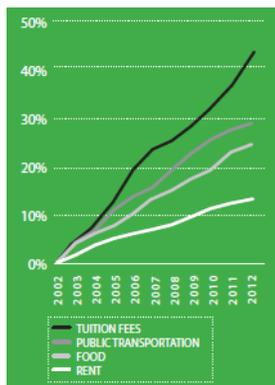


A Fall 2013 report from the Canadian Federation of Students highlights the financial squeeze the universities are facing.

University operating revenue divided between private and government funding.



Tuition fees increase faster than all other student costs.



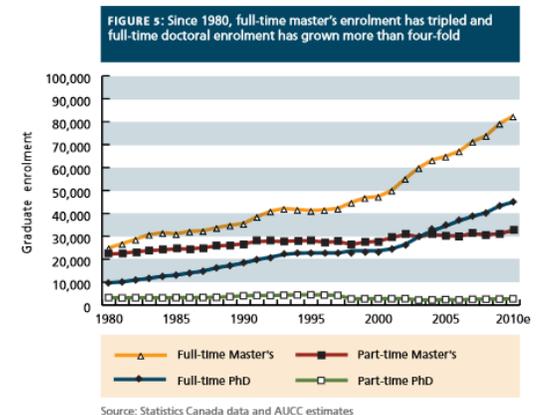
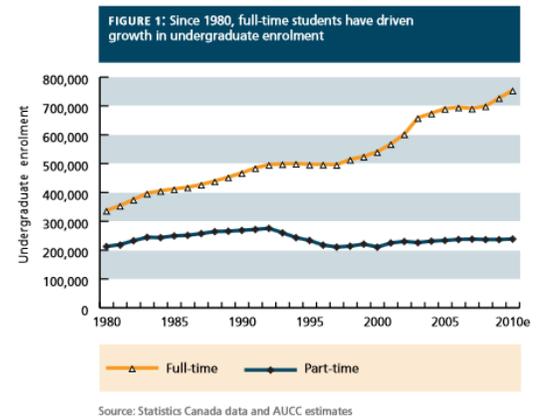
The ongoing decrease in provincial funding for universities has forced the necessity to prioritize spending.

The most immediate way to offset the decrease in provincial funding has been through an increase in tuition fees to simply help maintain the operating budgets of the universities.

Most universities have an obligation to provide 1st year students with affordable housing, leaving students in year 2 to 4 looking for other types of housing.

Enrollment Trends

Reviewing the charts below we can clearly see the trend in enrollment is moving strongly upwards in both the undergraduate and post-graduate programs. More than ever before our youth understand the importance of having a good education and consider a post-secondary education an undeniably necessary option. Canadian universities are also recruiting international students to complete their education in Canada. This increase in enrollments further drives the demand for student housing.



The Perfect Storm for private sector involvement

With the provincial budgets strained and the tough spending cut decisions made, the impacts are clearly seen in the university operating revenues and spending priorities. This is occurring while student enrollment from undergraduate to PHD's is up and continues to trend higher. This is where the private sector and especially Centurion Asset Management Inc. as Canada's largest and only REIT owner of student housing, can provide a much needed solution that allows universities to offload some of their expenses.

Student Housing Today

Traditionally housing close to campus has generally been one of the following types of buildings: converted Victorian homes, basement apartments or rental apartments built in the last rental building boom in the late 70's. Victorian houses where once a family lived comfortably, will now be a house divided into 4 or 5 units. Basement apartments which are inevitably cheaper, are usually poorly lit and lacking in quality and amenities. The older low rise buildings can be in a less than desirable state with little maintenance or upgrades performed over the years and offer none of the modern amenities students want or need.

What students require has evolved over the years with changes in technology and societal standards. Students want to be in the right location with the right tools. They want to be as close as possible to campus, to be part of the student community and close to the activities they enjoy. The students need the amenities and the technology to meet the requirements of their academic curriculum and the social lifestyles they have become accustomed to. Parents are concerned with safety, proximity to school and getting the most for their dollar.

The Centurion Approach to Student Housing

As with all real estate, the right location is paramount. Pair the right location with the amenities that someone wants and normally you have a winning combination. At Centurion we understand that the social aspect of the university experience is also a high priority for students.

Centurion's Student Housing Highlights:

- We have a brand dedicated only to operating our student housing portfolio that speaks directly to that market.
- We are Canada's only REIT owner of Student Housing.
- We own 8 Student Housing Properties with 2156 beds.
- We have locations in London, Waterloo, and

Montreal.

- We currently have near 100% occupancy rates for the properties we manage. This means every bed is occupied and generating cash flows for our investors.
- We generally lease for 12 month periods which keeps the rental income consistent and stable throughout the year.

With our understanding of what motivates students as well as what is driving decisions with the university administration, we have developed a strategic approach to servicing the university communities.

1. We look for properties in under-served university communities that have prime locations.
2. For properties under construction or newly built, we often partner with the developers to ensure all the amenities and desirable features are included in the development of the building.
3. For properties not newly constructed, we invest into the building, upgrading the units and common areas to ensure all the amenities students need are available to them and we meet the parents' requirements.
4. We are engaged with the universities, sponsoring athletic teams and events, having a presence on campus, etc., playing an active and supportive role to our student residents and potential residents.

Amenities vary at each Centurion student housing property but could include wifi, study rooms, movie theatres, gyms, games rooms, laundry, parking, tanning beds, ATM machines, vending machines, security, furnished units, soundproof music room.

Investing into Student Housing

Canada is close to a decade behind the USA with regards to the development of Student Housing. The need for student accommodations is continuing to increase and the opportunity to invest into student housing is growing. Student housing is a needs based sector of real estate and as such, generally provides stable and consistent income.

Cap rates on average are approximately 1% higher than in multi-residential apartment buildings. This is a result of a couple of factors, the first being the Canadian student housing market itself. The sector is less developed with fewer participants and has not been an area of focus or one that is well understood by the Canadian financial sector. This lack of attention has allowed Centurion to benefit from the growing need for private sector involvement. Second, Centurion understands the operational needs and risks within the student housing sectors and ensures our investors are appropriately compensated. The third factor are the buildings themselves. While the locations are close to campus,

amenities and suite layouts are favoured by the students, the onsite management and security are favoured by the parents and have led to tremendous demand with over 99% occupancy rates.

Going forward, Centurion Asset Management Inc. continues to see tremendous opportunities in the student housing space with possibilities across Canada. The actions of the Centurion investment team will always be strategic and responsible. Our focus is on safety first when meeting Centurion Apartment REIT's set objectives of providing a monthly income to investors and preserving

their capital. Centurion performs extensive due diligence when assessing a property in order to protect investor's interests and make intelligent decisions. We will not overpay for a property, we will not enter an oversaturated market and we only invest in opportunities that add value to the portfolio.

Article Written By: Matthew Barnes
Associate Director, Sales
Centurion Asset Management Inc.

WE ARE GROWING

Centurion Asset Management Inc. is pleased to introduce the newest addition to our Sales team.



Brian Fraser, Director of Sales

Brian has over 15 years of experience in both the financial services and alternatives investment industry. Prior to joining Centurion Asset Management, he was Regional Director of Sales at National Bank Investments where he was responsible for building sales and relationships with advisors throughout Ontario. Previous to that, he was a Senior Vice President at VentureLink Funds where he was instrumental in driving sales and business development in Ontario. Mr. Fraser has also held various sales mandates at Fidelity Investments. Throughout Brian's professional career, the experiences he has acquired in mutual funds, private pools, Separate Managed Accounts for HNW investors, ETFs, structured products as well as private equity & venture capital has afforded him the ability to fully craft his understanding of the financial services industry.

We value your feedback. Please let us know what you think and share your ideas for future newsletters.

We wish you a very Happy Holiday Season and a Peaceful and Prosperous New Year.

Sincerely,
Your Centurion Team
Centurion Asset Management Inc.



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centurionreit.com