

## Q&A with Centurion President and CEO Greg Romundt



**Q: Where are you finding potential property acquisitions at reasonable valuations?**

*A: Our focus has been on newly constructed properties for the past few years on a relative value basis. Almost everything we have under contract, or are considering, is coming from our own pipeline, from the relationships we have in our mortgage lending business, or are otherwise newly constructed.*

**Q: What is the level of interest rate sensitivity of the three Centurion funds?**

*A: It is low. While rates moved up marginally last year (which has reversed this year), capitalization rates actually declined when normally these would be expected to move in unison. The reason they have diverged is that (1) marginally higher rates plus tightened mortgage rules have significantly tightened rental market conditions pushing up rents, and (2) the market is anticipating strong rental growth, which it is pricing in via capitalization rates. Further, all Centurion funds are net receivers of interest, with most loans set with a floor rate that increases if rates rise. So on an income basis, rises in interest rates produce increased income on a net basis to all of our funds.*

**Q: What effect does an inverted yield curve have on Centurion's Funds?**

*A: It has a limited impact but is modestly advantageous as we tend to borrow long-term at the lower rates and lend short-term at higher rates, so this has the potential to increase the spread (increase the profitability) of borrowing long-term to lend short-term.*

**Q: Why the U.S. and what is your strategy there?**

*A: The U.S. is a large and attractive market where they build a lot of new rental product on a relative basis, unlike Canada which tends to build condos. Population demographics and the strong preference for rental products are driving the increased demand for new rental products. Our U.S. strategy is similar to our Canadian construction pipeline strategy that has been successful here. We are looking to finance and joint venture with strong U.S. development groups that can supply us with a pipeline of new properties over time.*