

The background of the top half of the image is a dark, low-key photograph of a multi-story brick building. The building features several windows and small balconies with black metal railings. The lighting is dim, creating a moody atmosphere.

US Student Housing REIT (ASX: USQ)

# INVESTOR ROADSHOW

MAY 2022



US  
STUDENT  
HOUSING  
REIT

# AGENDA

- Key Highlights
- Who We Are
- Why US Student Housing
- Resiliency Through Covid
- Sector Update
- Portfolio Update
- Acquisition Update

# KEY HIGHLIGHTS & ACHIEVEMENTS

- **USQ listed on the ASX** on the 8<sup>th</sup> of March 2022
- **Acquisition of *Lofts on 8th* at Arizona State University** with IPO proceeds on 30<sup>th</sup> of March 2022. Total acquisition price of \$17.25M
- Portfolio consists of 9 properties, 1,239 beds and a Gross Asset Value of \$136.9M across 6 universities in 6 states
- Announced **maiden pro-rata quarterly distribution** of USD 0.41 cents per unit (in line with PDS forecasts\*) or 7.1%\*\* annualised based on current share price
- **94% current portfolio occupancy**
- As at the 10<sup>th</sup> of May portfolio is **73.1% pre-leased (pre-leasing 15.8% ahead of the prior year)**
- **Annual rental increase of 7.8%** (prior year 4.3%) across the 9 assets on current pre-leasing
- **Refinanced** 6 assets fixed for 10 years at 3.99% p.a. enhancing the portfolio's long-term debt profile
- **Announced independent asset revaluation** to be undertaken by CBRE on the portfolio (excluding Lofts on 8th) commencing in May 2022 and will be released to market when available and reflected in 30 June 2022 financials

\*Based on IPO Issue price and assuming Full Utilisation of Foreign Tax Credit divided by NAV. \*\*A\$1.26 share price as at 12 May 2022. All figures in USD unless otherwise stated. . There can be no assurance investment will achieve its objectives, actual returns may result in lower returns than forecast.

# INVESTMENT AND ASSET MANAGER OVERVIEW



- Auctus Investment Group Limited (ASX: AVC) is an ASX listed private markets asset manager based in Melbourne, Australia founded in 2018
- Currently managing A\$479M as of March 2022 across healthcare technology, energy infrastructure, operating real estate & consumer essentials
- Experienced staff of 8 across Melbourne and Sydney and 15+ joint venture investment professionals located across the United States
- Auctus owns minority interests in other asset managers including Impact Investment Partners (IIP) & RBP Partners (US based)
- Wholly-owned subsidiary, Auctus Asset Management Pty Ltd (AAM) appointed investment manager of the US Student Housing REIT (ASX: USQ)
- **Strong alignment** with Auctus owning 7.62%\* of USQ issued capital (4.23M shares) or approximately A\$5.5M



- Atlanta-based student housing owner and operator founded in 2013
- Student Quarters (SQ) manage in excess of >\$1BN across off campus US student housing
- SQ have a **realised net IRR of 23.4% p.a.** since its inception in 2013\*\*
- SQ's current portfolio represents 36 properties and 9,684 beds at 21 universities
- Joint Venture strategy to build a portfolio of off-campus properties at public 4-year universities
- SQ co-invest up to 10% in each asset as alignment capital alongside shareholders
- SQ provides best in class operating and leasing experience for premier located, pedestrian friendly assets at major public Universities
- Strong institutional backing in the United States

\*As of 16 May 2022

\*\*Gross of withholding and US corporate taxes: performance to 31 March 2022

# WHO WE ARE

- US Student Housing REIT was established to acquire and manage high-quality purpose-built student housing assets located within close proximity to top-tier public universities across the United States, and drive value through operational strategy and capital upgrades
- Investors will gain exposure to US student housing real estate with the REIT the only Australian-listed property trust with a primary strategy in investing in US student housing
- The REIT is focused on seeking to achieve long-term returns through a combination of income through rental yields along with potential long-term capital growth
- Growing portfolio of off-campus US student housing assets with a current Gross Asset Value of \$137M (A\$193M)
- Acquirer of new and established product with no development risk

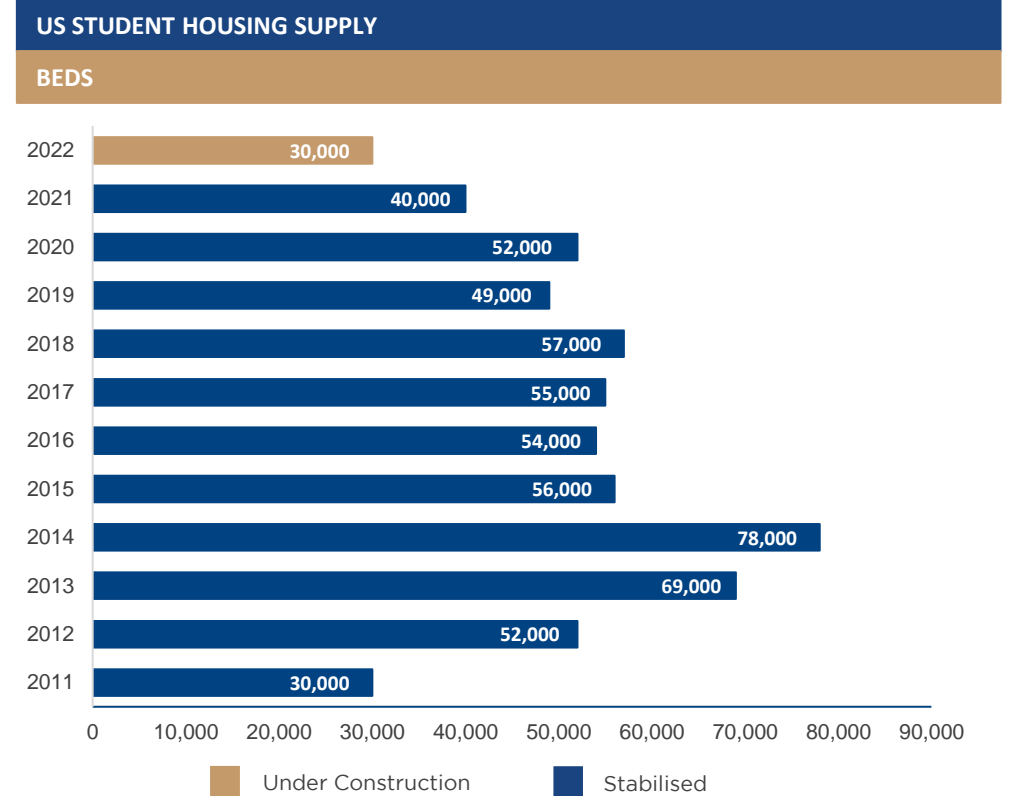


*Aim to become large scale owner of US student housing via a joint venture partnership between Auctus (investment manager) and Student Quarters (asset manager).*

*...after Blackstone's US\$12.8bn acquisition of American Campus Communities (NYSE: ACC) USQ will be the only listed US student housing REIT globally.*

## WHY US STUDENT HOUSING

- Defensive asset class:
  - Sector fundamentals have been **resilient** during periods of economic instability due to ever-growing enrolment demand driven by demographics and little reliance on overseas students
  - Strong performance through the Pandemic and recessions has attracted institutional capital into the sector**<sup>^</sup>
- Supply/demand:** new off-campus student housing supply at its lowest level in over a decade at the same time as strong university enrolments
- Inflation hedge:
  - Annual rental growth provides a **hedge against inflation**
  - Annual increases in Net Operating Income (NOI) delivers the potential for **growing yields and asset growth**
- Highly fragmented market:
  - Largest participant has <4% market share with the top 10 owning only 15% market share
  - Industry ripe for consolidation**
- Low reliance on foreign students:
  - >95% of US university enrolments comprising domestic students**\*
  - Rite of passage:** majority of US student population travel inter/intrastate to attend college and is seen a cultural “norm”
  - 22% of US population under 18 years of age** (approx. 73 million pre-college age)\*\*



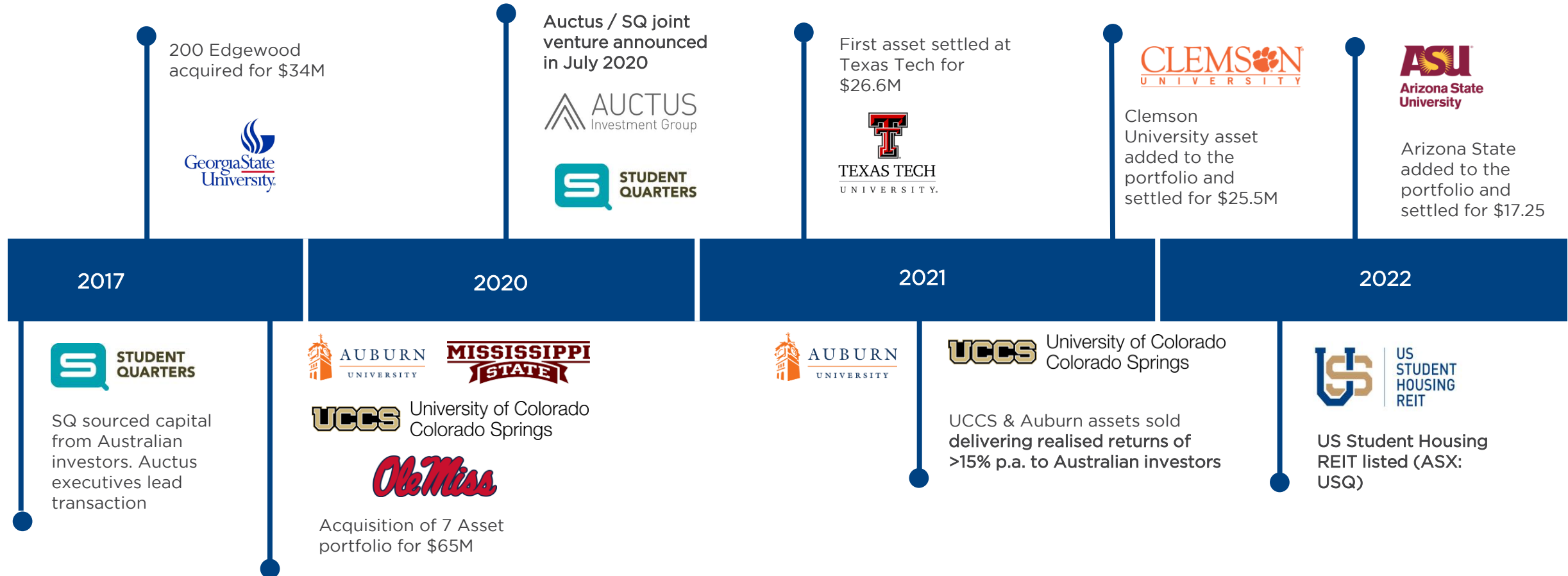
Source: Axiometrics/RealPage

<sup>^</sup> Institute of International Education, COVID-19 Effects on US Higher Education Campuses, Report 3. \*Migration Policy Institute, International Students in the United States 2021

\*\*United States Census, The US Adult and Under-Age-18 Populations: 2020 Census

# HISTORY

## PORTFOLIO EVOLUTION



All figures in USD unless otherwise stated.

## INVESTMENT HIGHLIGHTS

- Unique opportunity to access institutionalising asset class with strong sector tailwinds via an ASX listed REIT
- Demonstrated resiliency during periods of economic uncertainty
- High levels of current occupancy with strong pre-leasing activity across the portfolio for upcoming 22/23 academic year
- Joint Venture strategy to build a portfolio of off-campus properties at public 4-year universities
- Exposure to Student Quarters' best-in-class operating and leasing experience for premier located, pedestrian friendly assets at major public universities
- Diversified investment strategy
- Strong tailwinds: new supply at lowest levels in over a decade due to increase in construction costs, tightening credit markets, at the same time as increasing enrolments in target markets
- Inflation hedge with fixed debt and growing annual rents



District at Clemson | Clemson, SC



Balcony MSU | Starkville, MS



200 Edgewood | Atlanta, GA

## SECTOR HIGHLIGHTS – BLACKSTONE ACQUISITION OF ACC

- Largest player in the US student housing sector, **American Campus Communities** (NYSE: ACC) is to be acquired by Blackstone Inc (NYSE: BX)
- The transaction values ACC at \$12.8 billion which is a 14% premium to their prior close (and assumes a <3% yield based on the prior year's dividend)

*“Now the sector looks poised to benefit from a number of tailwinds. There is relatively little new student-housing construction, which means that property owners face little new competition.*

*A national shortage is pushing up rents near campus, too, and a return of more international students could boost demand further.” \**

THE WALL STREET JOURNAL

- ACC were the first of three student housing REITs to go public and the last one still publicly traded in the United States after all were acquired by private equity:
  - Greystar Real Estate Partners acquired EDR in 2018
  - Harrison Street Real Estate Capital acquired Campus Crest in 2015
- Market still highly fragmented and ripe for consolidation
- Transaction further demonstrates institutionalisation and attractiveness of the sector

All figures in USD unless otherwise stated. \* The Wall Street Journal article 'Blackstone Bets on Campus Housing with \$13 Billion Acquisition', April 19 2022

RANK	COMPANY	NO. OF PROPERTIES	NO. OF BEDS	% OF MARKET
1	American Campus Communities (ACC)	169	104,078	3.91
2	Harrison Street Real Estate Capital	136	76,664	2.88
3	The Scion Group	90	60,085	2.25
4	Greystar, far EdR Collegiate Housing	87	49,136	1.85
5	The Colliers Companies	48	25,801	0.97
6	Campus Advantage	35	20,413	0.76
7	The Preiss Company	37	18,889	0.71
8	CA Ventures	36	18,757	0.70
9	Vesper Holdings	45	17,296	0.65
10	Campus Apartments	34	17,064	0.54

Source: CBRE  
Top 10 owners of student housing in the U.S

## PORTFOLIO OCCUPANCY, PRE-LEASING & DISTRIBUTION UPDATE

- Current portfolio occupancy remains high at **94%**
- **Pre-leasing 15.8% ahead of the prior year:** portfolio is 73.1% pre-leased with rental increases of 7.8% (prior year 4.3%) across the 9 assets
  - Newly acquired District at Clemson, Clemson University currently pre-leased at 99.6% with annual rental increase of 11.3% demonstrating SQ's operational expertise
  - Balcony MSU, Mississippi State University 100% pre-leased with an annual rental increase of 11.5%
- **Maiden pro-rata quarterly distribution** announced of USD 0.41 cents per unit (in line with PDS forecasts\*) or 7.1%\*\* annualised based on current share price
- Quarterly distributions to commence from May 2022

Distribution Period	Payment Month
March 2022	May 2022
June 2022	August 2022
September 2022	November 2022
December 2022	February 2023

\*Based on IPO issue price and assuming Full Utilisation of Foreign Tax Credit divided by NAV. There can be no assurance investment will achieve its objectives, actual returns may result in lower returns than forecast. All figures in USD unless otherwise stated. Gross of withholding and US corporate taxes. \*\* A\$1.26 share price as at 12 May 2022



Lofts on 8<sup>th</sup> | Tempe, AZ. Aerial view of recently acquired asset at Arizona State University. Built 2020.

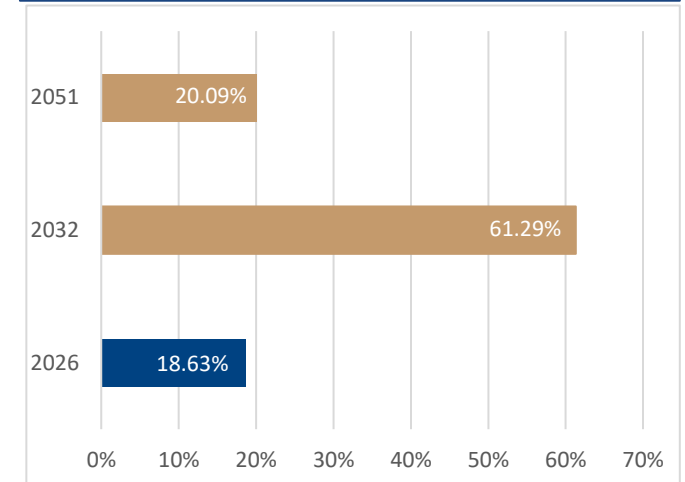
## PORTFOLIO DEBT SUMMARY

- Inflation hedge with fixed debt and growing annual rents
  - Conservative portfolio gearing with current LVR of 63%\*
  - Current LVR within the portfolio target band of 60-65%
  - New debt locked in on Lofts on 8<sup>th</sup> and refinance of 6 existing assets at 3.99% p.a. fixed for 10 years
  - Typical Student Housing LVR's around 70-80% with SQ's strategy on the conservative side
- Long-term average maturity of over 10 years for 81% of the portfolio – flexible debt facilities with opportunities to refinance over-time
- Variable debt (with an interest rate cap of 250bps) on District at Clemson asset which has achieved an 11.3% rental increase for 22/23 AY (currently at 3.69% p.a.)
  - Debt facility is flexible with the ability to extend from December 2023 for an additional 36 months to December 2026
- SQ uses a mix of bank funding and agency loans from lenders such as Fannie Mae, Freddie Mac and Department of Housing & Urban Development (HUD)
- Fixing interest rates to avoid rate fluctuation risk is preferred, and low or no exit fee is negotiated
- Non-recourse

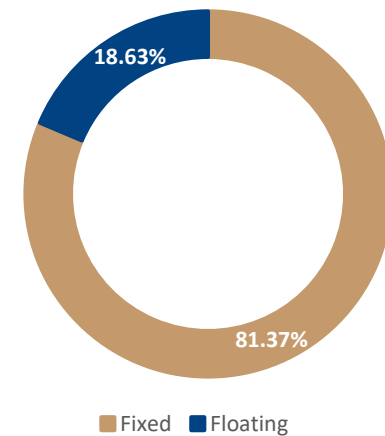


\*Inclusive of cash at bank.

### MATURITY PROFILE



### DEBT TYPE



# US STUDENT HOUSING REIT

## STRATEGY

INVESTMENT STRATEGY	Acquire and manage high-quality purpose-built student housing assets at large top-tier public universities, and drive value through operational strategy and capital upgrades	
ASSET PROFILE	Asset Class	Core-plus, Value-add and select Opportunistic
	Target Universities	Public 4-year universities with 10,000+ students, historic and projected enrollment growth, large off-campus resident demand, favourable supply dynamics and low student debt default ratios; ~240 qualified US university markets
	Locations	Less than 1 mile from campus / center of campus activity
	Product Size	~200+ beds
	Vintage	2005 or newer
	Rent Class	Upper half of market
	Room Mix	Bed and bathroom parity
INVESTMENT TARGETS	Asset Price	Minimum of \$20,000,000 total per asset. Auctus and SQ agreement provides Auctus with exclusivity on assets between \$20M-\$40M and optionality for assets above this.
	Asset Debt	60 to 65% loan to cost, non-recourse
	Target Returns	Annual return of 15% p.a.(incl. a >6% p.a. initial yield paid quarterly)

There can be no assurance investment will achieve its objectives, actual returns may result in lower returns than forecast. All figures in USD unless otherwise stated.

## US STUDENT HOUSING REIT KEY SELECTION CRITERIA

- Targeted criteria including pricing discipline on entry the REIT applies a filter that ultimately focuses on the top public US universities which ensures discipline in its acquisition strategy

State population growth

University rankings in terms of  
research and sport

Students (10,000+) and enrolment  
growth

Average market occupancy  
& rental growth

Known and expected new supply  
over investment duration

Age of asset (2005 or newer)

Ratio of on and off-campus beds to  
student population

Student loan default rates

1 to 1 Bed/Bathroom parity

Walking distance to campus  
(within 1 mile)  
and student nightlife

Asset size: mid-size assets face less  
competitive pricing pressure than  
larger assets/portfolios

Ratio of foreign students  
to total enrolments

## US STUDENT HOUSING REIT ASSET PROFILE

### CORE PLUS

These assets command a higher yield premium in comparison to Opportunistic but still present a strong capital growth opportunity. Core-Plus assets increase cash flow with light property improvements, management efficiencies or by increasing the quality of tenants.

These properties tend to be of superior quality and have a great track record of occupancy.

### VALUE-ADD

Value-Add yields similar returns to Core Plus but can be:

- well positioned assets but in distressed markets
- newer properties with management issues
- adolescent properties needing light enhancements to remain competitive or a combination of all three.

### OPPORTUNISTIC

Opportunistic properties may have little to no cash flow at acquisition but have the potential to produce strong cash flow over time.

The intention is to add value through a higher initial capex spend to reposition the asset, ideally leading to better cash flow and potential cap rate compression.

# INITIAL PORTFOLIO

## PRO FORMA

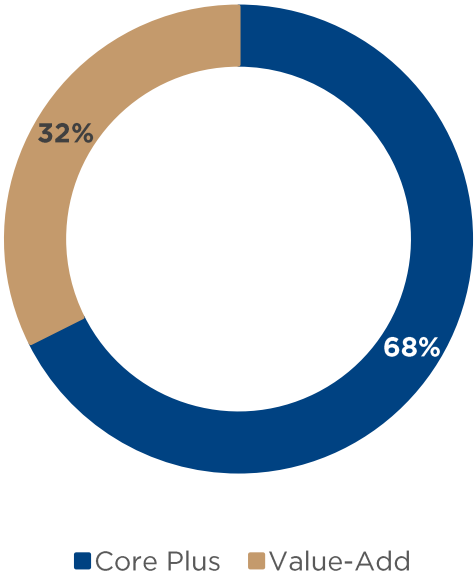
	Asset	University	Valuation GAV	No. of Beds	Occupancy	Cap Rate	Built / Reno	Asset Profile
1	200 Edgewood	Georgia State University	\$34,900,000	240	94%	4.85	2016	Core Plus
2	607 South	University of Mississippi	\$5,600,000	52	98%	5.25	2014	Core Plus
3	Traditions	University of Mississippi	\$6,100,000	72	90%	5.25	2016	Core Plus
4	Village Walk	University of Mississippi	\$4,875,000	54	82%	5.25	2016	Core Plus
5	West 100	University of Mississippi	\$4,900,000	60	77%	5.25	2015	Core Plus
6	Balcony MSU	Mississippi State University	\$10,275,000	116	100%	5.00	2016	Core Plus
7	The Edge	Texas Tech University	\$27,500,000	288	92%	5.25	2009	Value-Add
8	Clemson Living	Clemson University	\$25,500,000	245	100%	4.75	2016	Core Plus
9	Lofts on 8 <sup>th</sup>	Arizona State University	\$17,250,000	112	92%	5.10	2020	Value-Add
	PRO FORMA PORTFOLIO		\$136,900,000	1,239	94%	5.02 <sup>1</sup>		

<sup>1</sup>Portfolio Weighted Average Capitalisation rate  
All figures in USD unless otherwise stated. Portfolio subject to change.

PORTFOLIO UPDATE  
KEY METRICS

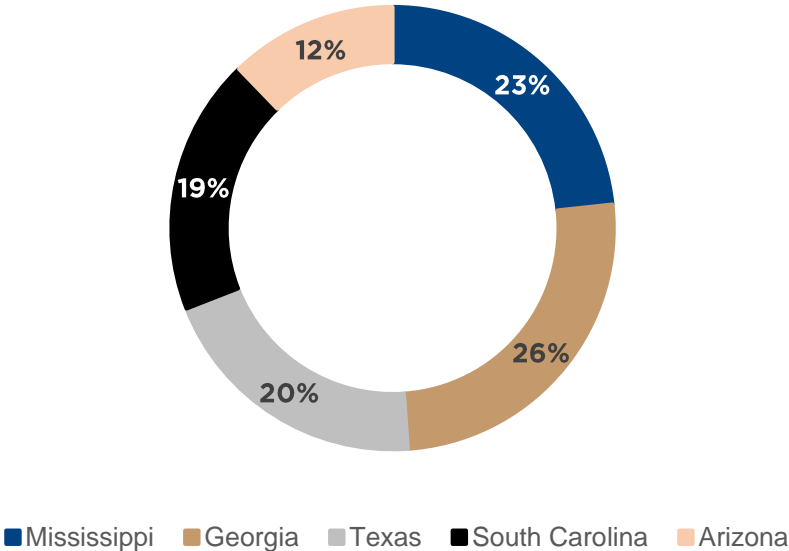
PORTFOLIO ASSET PROFILE

- The Portfolio composition asset profile is outlined in the chart below.
- US Student Housing REIT targets investments across Core Plus, Value-Add and Opportunistic.









GEOGRAPHIC SPLIT






- The portfolio is diversified by State with no State representing more than 30%.
- Over time, the REIT will target geographic diversification in assets across its target markets.



All numbers are calculated by asset value and are based on the current portfolio.

## CURRENT PORTFOLIO

 US STUDENT HOUSING REIT						
	Asset Name	200 Edgewood	Traditions	Village Walk	West 100	607 South
	The University	Georgia State Univ	Univ of Mississippi	Univ of Mississippi	Univ of Mississippi	Univ of Mississippi
Enrolment*	52,000	21,000	21,000	21,000	21,000	

 US STUDENT HOUSING REIT					
	Asset Name	Balcony MSU	The Edge	Clemson Living	Lofts on 8 <sup>th</sup>
	The University	Mississippi State Univ	Texas Tech	Clemson University	Arizona State
Enrolment*	23,000	40,000	26,000	52,000	

\* University enrolments as outlined in the USQ Product Disclosure Statement

## ROBUST ACTIVE PIPELINE

## DEEP RELATIONSHIPS

- SQ has longstanding broker and seller relationships that provide them with early access to new deals coming to market and deals that have either fallen out of contract or failed to meet vendor expectations
- During 2020 SQ were one of the top 10 acquirers of US student housing
- Current acquisition pipeline includes the following assets:

Market	Estimated Price	Beds	Price Per Bed	Built/Reno	Profile
University of Florida	\$27,500,000	228	\$120,614	2012	Core Plus
Ohio State University	\$21,000,000	111	\$189,189	2018	Core Plus
University of Alabama-Birmingham	\$67,000,000	520	\$128,846	2020	Core

Source: Student Quarters . All figures in USD unless otherwise stated.

### STUDENT HOUSING SALES | TOP BUYERS BY DOLLAR VOLUME 2020

RANK	BUYER
1	Global Student Accommodation Group
2	Korea Inv Securities, Landmark Properties, Ocean West, Tiger Alternative Investors
3	TPG Real Estate/Cardinal Group
4	Timberline Real Estate Ventures
5	Greystar
6	Student Quarters

Source: Berkadia Student Housing Newsletter 2021. Real Capital Analytics and Co-Star.  
Based on properties - \$5 million greater February 1, 2021

## Important Notices

Equity Trustees Limited ("Equity Trustees") (ABN 46 004 031 298), AFSL 240975, is the Responsible Entity for the US Student Housing REIT ("the Fund"). Equity Trustees is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT).

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