

US Student Housing REIT (ASX:USQ)

ASX SMALL & MID-CAP CONFERENCE

SEPTEMBER 2022



US
STUDENT
HOUSING
REIT

AGENDA

1. Introduction
2. Portfolio Update
3. Sector Overview
4. Portfolio Metrics
5. Looking Ahead
6. Appendix

WHO WE ARE

HIGH QUALITY EXPOSURE TO A DIVERSIFIED PORTFOLIO OF PROPERTIES GEOGRAPHICALLY SPREAD ACROSS THE UNITED STATES ('US')

- US Student Housing REIT (ASX:USQ) was established to acquire and manage high-quality purpose-built student housing assets located within **close-proximity to top-tier 4-year public universities across the United States**, and drive value through operational strategy and capital upgrades
- Investors gain an exposure to US student housing real estate with the REIT **the only 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 long-term capital growth**
- Acquirer of **new and established product with no development risk**
- Managed by experienced investment teams at **Auctus Investment Group (ASX:AVC)** (appointed Investment Manager) and US-based **Student Quarters** (operational asset manager)

Aim to become a 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 is the only listed US student housing REIT globally.

PORTFOLIO UPDATE

A\$212m

Portfolio Size¹

the gross asset value of the portfolio now
US\$144,600,000 (up from US\$136.9 million)

97%

Current Occupancy

at September 6, 2022

8%

Portfolio Rental Increase

academic year 22/23 (targeting in excess of 5% for AY 23/23)

A\$1.50

Net Asset Value Per Unit¹

at 30 June 2022
(up from \$1.31 at IPO)

>6%

Targeted Portfolio Yield

paid quarterly

81%

Fixed Portfolio Debt²

with 19% of floating debt holding a rate cap



Luxury, lively, updated, convenient
200 Edgewood is your off-campus home in Atlanta, Georgia. 200 Edgewood welcomes students from nearby Georgia State, Spelman College, Morehouse College, Clark Atlanta University, or any surrounding colleges.



¹ Based on 30 June 2022 financials. And assuming an FX rate of 0.68

² Floating debt facility (with an interest rate cap of 250bps) on District at Clemson which achieved an 11.3% rental increase for 22/23 academic year

WHY US STUDENT HOUSING

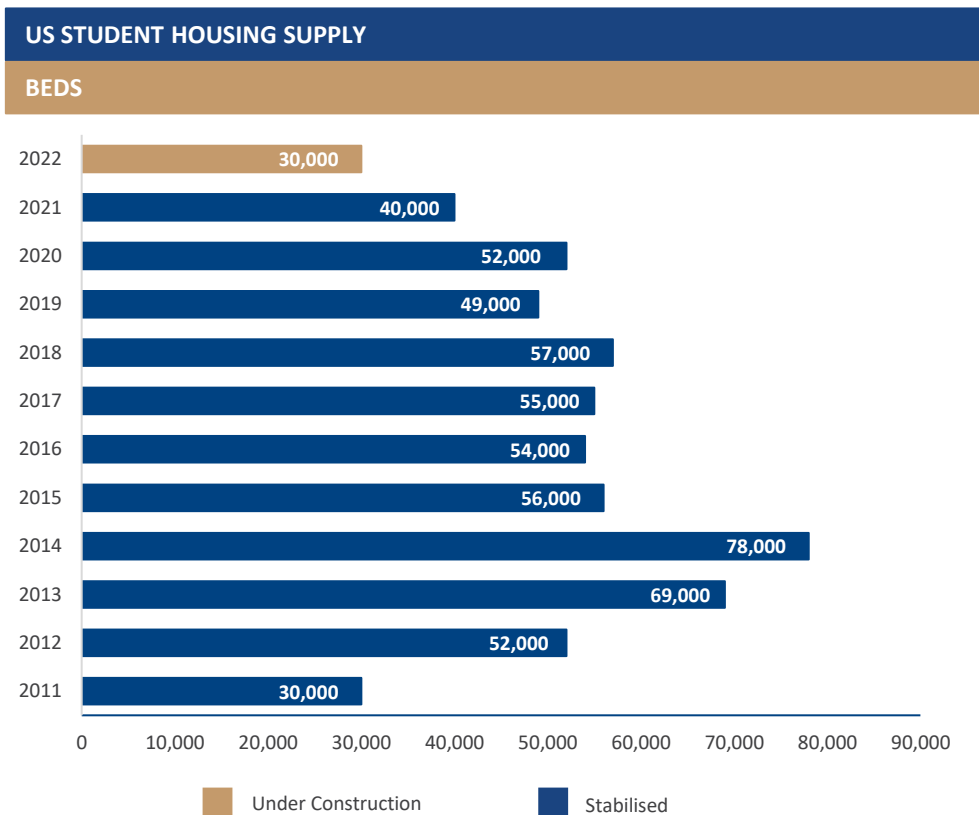
- Highly fragmented market:
 - Largest participant has <4% market share with the top 10 owning only 15% market share
 - **Industry ripe for consolidation**
- Low reliance on foreign students:
 - **>95% of US university enrolments comprising domestic students¹**
 - **Rite of passage:** majority of US 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)²

Strong Sector Tailwinds

- Pre-leasing for 22/23 academic year strongest on record
- Anticipating strong demand for the foreseeable future
- Low pipeline of new beds under construction
- Sector interest increasing amongst institutional investors

“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.”³

THE WALL STREET JOURNAL.



Source: Axiometrics/RealPage

All figures in AUD unless otherwise stated.

¹ Migration Policy Institute, International Students in the United States 2021

² United States Census, The US Adult and Under-Age-18 Populations: 2020 Census

³ The Wall Street Journal article 'Blackstone Bets on Campus Housing with US\$13 Billion Acquisition', April 19 2022

STUDENT HOUSING INVESTMENT PROPOSITION

STABLE CURRENT CASH ON CASH YIELDS

- Student Housing is an inflation-hedged asset class with strong current yields and expected appreciation

DEMAND OUTLOOK STRONG

- Continued demand for US public four-year university education. Enrolment is expected to increase by 1.1 million new undergrad and 220,000 new graduate students from 2020 to 2031¹

UNDERSUPPLIED MARKETS

- The US had 20 million students in 2020, and only 8.5 million purpose-built beds on and off-campus²

UNIVERSITY SELECTION CRITERIA

- Education affordability is driving increasing market share to top public universities. Online and distance learning models are not replacing the university experience

COUNTER-CYCLICAL

- Student housing has typically outperformed other real estate sectors during the recessions and corporate real estate market cycles

COVID-RESISTANT

- Occupancy and rent collections remained above 90% during COVID

DEPLOY \$ IMMEDIATELY

- Access to deal flow and operational expertise is a competitive advantage for USQ

^[1, 2] Source Data: NMHC White Papers: Structural Changes in Student Housing Demand and The Future of U.S. Student Housing Demand. July 2021 Paige Mueller and Jeffrey Havsy.

GEOGRAPHIC SPREAD

Personal use only

ASSET: Traditions
UNIVERSITY: University of Mississippi
VALUATION: US\$6,100,000
NO. OF BEDS: 72

ASSET: Village Walk
UNIVERSITY: University of Mississippi
VALUATION: US\$6,000,000
NO. OF BEDS: 54

ASSET: District at Clemson
UNIVERSITY: Clemson University
VALUATION: US\$26,950,000
NO. OF BEDS: 245

ASSET: 200 Edgewood
UNIVERSITY: Georgia State University
VALUATION: US\$37,400,000
NO. OF BEDS: 240

ASSET: 607 South
UNIVERSITY: University of Mississippi
VALUATION: US\$5,600,000
NO. OF BEDS: 52

ASSET: West 100
UNIVERSITY: University of Mississippi
VALUATION: US\$5,200,000
NO. OF BEDS: 60

ASSET: Lofts on 8th
UNIVERSITY: Arizona State University
VALUATION: US\$17,250,000
NO. OF BEDS: 112

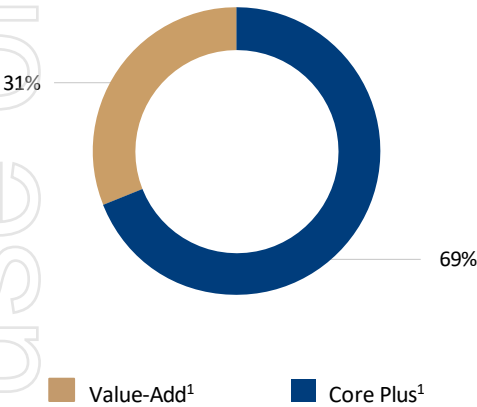
ASSET: The Edge
UNIVERSITY: Texas Tech University
VALUATION: US\$28,200,000
NO. OF BEDS: 288

ASSET: Balcony MSU
UNIVERSITY: Mississippi State University
VALUATION: US\$11,900,000
NO. OF BEDS: 116

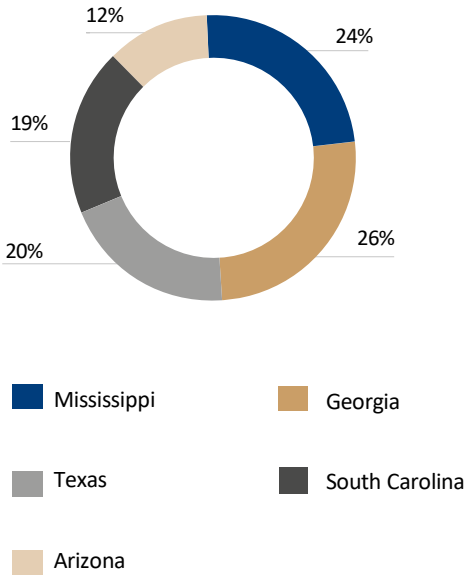
- The portfolio of 9 assets in 5 States
- Select top target markets

PORTFOLIO ASSET PROFILE

PORTFOLIO ASSET PROFILE



GEOGRAPHIC SPLIT BY STATE

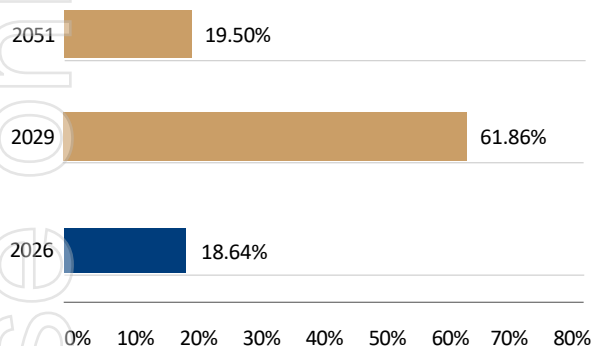


- With the acquisition of Lofts on 8th and District at Clemson during the financial year, the portfolio is now diversified across five states covering six universities.
- No State represents more than 30% of the portfolio’s market value, with Georgia the largest exposure at 26%.
- Arizona is currently the smallest exposure with SQ looking at new acquisition opportunities here to increase exposure to one of the leading student housing markets.
- In addition, SQ are looking to add further assets in target states to further enhance the portfolios diversification.

¹ Refer Appendix for further details

PORTFOLIO DEBT PROFILE

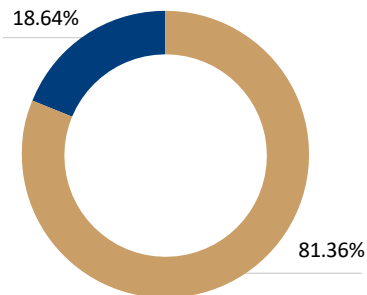
DEBT MATURITY PROFILE



Floating

Fixed

DEBT TYPE



- The portfolio has a long-term average maturity of over 10 years with 81% of the portfolio having flexible debt facilities with opportunities to refinance over-time.
- At 30 June the portfolio LVR sat at 61.1%*
- Typical Student Housing LVR's in the United States are around 70-80% with USQ's strategy on the conservative side
- 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) and are typically non-recourse



Fannie Mae®



Freddie Mac



Blackstone

*Inclusive of cash at bank.

GROWTH INITIATIVES

New Assets

Look for strategic acquisitions
to enhance diversification

Yield

Continue to demonstrate strong yield
targeting in excess of 5% rental growth
for 23/24 academic year



Lofts on 8th | Tempe, AZ

Aerial view of recently acquired asset at Arizona State University. Built 2020.



Balcony MSU | Starkville, MS

Dual Listing

Explore a US dual listing
to add size and scale

Marketing

Grow USQ's presence
by educating the market on the strong sector tailwinds

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). The Investment Manager for the Fund is Auctus Asset Management Pty Ltd ("Auctus") ABN 30 610 804 263, AFSL 517083. This presentation has been prepared by Auctus to provide you with general information only. In preparing this presentation, we did not take into account the investment objectives, financial situation or particular needs of any particular person. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. Neither Auctus, Equity Trustees nor any of its related parties, their employees or directors, provide and warranty of accuracy or reliability in relation to such information or accepts any liability to any person who relies on it. Past performance should not be taken as an indicator of future performance. You should obtain a copy of the Product Disclosure Statement before making a decision about whether to invest in this product.

US Student Housing REIT's Target Market Determination is available <https://usq-reit.com/important-information/>. A Target Market Determination describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.



**US
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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.

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

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.