

**15 May 2023**  
**ASX Announcement**

## March Quarter Distribution

### Key Points:

- March quarter cash distribution of AUD 1.61 cents per unit<sup>1</sup> (US 1.08 cents per unit) to be paid end of May
- Net Tangible Assets (NTA) of portfolio based on the most recent December 2022 asset valuations of AUD 1.58 per unit<sup>1</sup> (USD 1.06 per unit)
- Total return of 14.09% since IPO\* (in USD net of management fees and before withholding tax)
- Current occupancy for the portfolio of 96.5%
- For the 2023-2024 academic year, pre-leasing is now at 70.43% and rental increases are forecasted to be approximately 11%

### March Quarter Distribution

US Student Housing REIT (ASX: USQ) ('USQ' or 'the REIT') is pleased to announce the March quarter cash distribution of AUD 1.61 cents per unit (USD 1.08 cents per unit<sup>1</sup>). The distribution timetable is as follows:

Announcement of USQ distribution	15 May 2023
Record date for USQ distribution	22 May 2023
Distribution payment	29 May 2023

The annualised March quarter distribution equates to a running yield of AUD 7.01% net at the share price as at close of business on 12 May of \$0.92<sup>1</sup>

### Portfolio Performance & Net Tangible Assets

Fundamentals remain strong for the US student housing sector, with new supply at historic lows and construction costs rising due to inflation. Short duration leases enable Student Quarters to reset rents every academic year, enabling them to keep up with inflation, and in periods such as academic year 2022-2023, and the upcoming academic year 2023-2024, outpace inflation with the level of rental growth being achieved.

Despite the prevailing unit price for USQ, the underlying portfolio continues to perform well, and has generated a total return of 14.09% consisting of growth in the REIT's net assets post IPO in March 2022, and the net yield generated by the assets from the June quarter 2022 to March quarter 2023\*.

As announced to the ASX on the 18<sup>th</sup> of January, the NTA of the portfolio as at 31 December 2022 is USD 1.06 per unit (AUD 1.58<sup>1</sup> per unit), following independent valuations by CBRE.

## Portfolio Update and FY24 Outlook

Current occupancy for the portfolio is 96.5%.

For the 2023-2024 academic year, pre-leasing across the portfolio is currently at 70.43% with Student Quarters forecasting rental increases of approximately 11%, which will flow through from December 2023.

## Portfolio Strategy

As one of the leading acquirers, owners, and operators of purpose-built student housing in the United States<sup>2</sup>, Student Quarters (the asset manager of the REIT) continues to focus on adding value to the portfolio both from a yield perspective, and the potential for capital growth via operational improvements.

The investment manager is actively working on growing USQ's presence with the Australian investment community.

## US Student Housing Market Update

US student housing continues to outperform as an alternative real estate asset class from both a rental growth and occupancy perspective.

As of February 2023, industry-wide rental rate growth trended 3.5x ahead of the long-term average for the sector, at approximately 8.3% for the upcoming academic year.<sup>3</sup> Prelease occupancy for the RealPage 175, a quarterly market analysis of the top 175 student housing markets in the US, is the highest-ever February rate at 55.4% - nearly 9% higher than the long-term February prelease average.<sup>3</sup> Investor interest across the sector has remained robust, with 81% of current investors aiming to increase capital allocation in student housing during the 2023 calendar year.<sup>4</sup> Institutional capital comprised the largest portion of the 2022 transaction volume for the sector with approximately US\$11.9bn invested throughout the year – up US\$9.1bn from 2021, signalling continued confidence in US student housing performance.<sup>3</sup>

The forward supply pipeline remains near record lows for the upcoming academic year, with less than 40,000 beds expected to be delivered in the 2023 calendar year, making it the third lowest year of deliveries since 2011.<sup>5</sup> Between 2015 and 2020, average delivery volume totalled 54,000 beds per annum, with the 2021 and 2022 calendar years dropping by an average of 44% from the prior 6-year average.<sup>5</sup>

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<sup>1</sup> Assuming AUD|USD estimated exchange rate of 0.67. Actual AUD cents per unit conversion will be based on prevailing exchange rates. Net of US withholding tax.

\* Growth in USD NTA from IPO in March 2022 to 31 December 2022 (audited financials) plus USD yield from underlying assets from 1 April 2022 to 31 March 2023, net of management fees and before US withholding tax

<sup>2</sup> Student Housing Business – Top 25 Owners of Student Housing, December 2022

<sup>3</sup> RealPage Market Analytics Student Housing (MASH), Q1 2023

<sup>4</sup> CBRE – Year End 2022 Student Housing Review

<sup>5</sup> Newmark – 2022 Housing Market Overview and 2023 Outlook

Yours sincerely,

Russell Beasley

Director

Equity Trustees Limited (ACN 004 031 298, AFSL 240975) as Responsible Entity for US Student Housing REIT

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### **About USQ**

US Student Housing REIT ( [www.usq-reit.com](http://www.usq-reit.com) ) is a real estate investment trust listed on the ASX with a mandate to invest in off campus student housing at large four-year public universities across the United States. The 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. This announcement has been authorised for release by the Board of USQ.

### **About Auctus**

Auctus Investment Group Limited ('Auctus') is an ASX listed global investment manager with in-excess of A\$500M Assets Under Management (AUM), focusing on opportunities across private equity, infrastructure and private real estate. Our core investment thesis is investing in sectors with strong tailwinds and potential to scale. Auctus provides access to these private market investments for wholesale, Family Office and sophisticated investors.

### **About Student Quarters**

Student Quarters is an Atlanta based, specialist student housing asset manager founded in 2013 with a demonstrated track record of value generation. SQ manage in excess of US\$1bn across off-campus student housing, and 11,000+ beds. The team are highly experienced student housing owners with over 5 decades of combined experience in underwriting, acquiring, operating, managing, and disposing of quality student housing properties across the United States. SQ provides best in class operating and leasing experience for premier located, pedestrian friendly assets at major public Universities.