



US  
STUDENT  
HOUSING  
REIT

US Student Housing REIT (ASX:USQ)

# FY23 Results Presentation

August 2023



Clemson University  
Memorial Stadium,  
South Carolina

Keynotes  
Sponsors

# AGENDA

- 1 Portfolio Update
- 2 Asset Update
- 3 USQ Structure & Governance
- 4 Sector Overview
- 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 purpose-built student housing real estate with the REIT - **the only remaining listed property trust solely focussed in investing in US student housing**
- Managed by experienced investment teams at **Auctus Investment Group (ASX:AVC)** (appointed Investment Manager) and US-based **Student Quarters** (operational asset manager).
- The REIT is focused on seeking to achieve **long-term returns through a combination of stable and growing income through rental yields and operational improvements, with long-term capital growth (targeting 15% IRR)**
- Acquirer of **new and established product with no development risk**

# Portfolio Update

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## USQ PORTFOLIO HIGHLIGHTS



**A\$3.353m<sup>1</sup>**

**Total 2023 Distribution (US\$2.223m)**

Full Year Ended 30 June 2023.

First full year of distributions since IPO

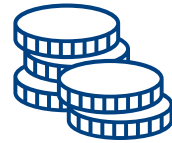


**7.80%<sup>2</sup>**

**Asset Performance**

Net of fees for the year ended 30 June

2023 (2022: 5.41% net of fees)



**7.07 cpu<sup>1</sup> (AUD)**

**Distributions per Unit (4.00 cpu US\$ )**

Full Year Ended 30 June 2023



**A\$6.588m<sup>1</sup>**

**NPAT for the full-year**

US\$4.368m. Prior year US\$3.075m

The District  
at Clemson |  
Clemson, SC



The Edge |  
Lubbock, TX



200 Edgewood |  
Atlanta, GA



<sup>1</sup>Based on 30 June 2023 Annual Report | assuming an FX rate of 0.663

<sup>2</sup> Calculated as the percentage movement in NAV/units on issue from 30 June 2022 to 30 June 2023

## USQ PORTFOLIO FY23 HIGHLIGHTS

USQ experienced an increase in portfolio value despite significant cap rate expansion and record interest rate hikes in the United States.

**A\$223m ▲**

**Portfolio Size<sup>1</sup>**

Completed valuation process from CBRE with the portfolio now valued at US\$147.75 million (up from US\$144.6 million at June 2022)

**A\$1.60 ▲**

**Tangible Net Asset Value Per Unit<sup>1</sup>**

at 30 June 2023 up from \$1.50 on prior year despite dramatic increase in cap rates

**8.0%**

**Portfolio Rental Rate Increase Realized**

for the current Academic Year (“AY”) 2022-2023 AY commenced in December quarter 2022

**8.5%**

**Forecasted Portfolio Rental Rate Increase**

for AY 2023-2024 commencing December quarter 2023

**97%**

**Portfolio Occupancy**

for the academic year 2022-2023

**100%**

**Fixed Portfolio Debt**

As of 30 June 2023. Average duration of 9.69 years and 4.30% interest rate



**Sleek, stylish, lively, convenient**

District at Clemson is your home away from home in Clemson, SC. Enjoy a truly luxe living experience in this boutique-inspired community, perfectly designed as the Clemson student choice for high-end living.

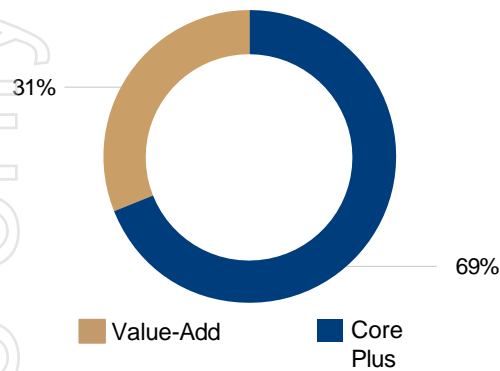
**1,253**

**Total Beds in Portfolio**

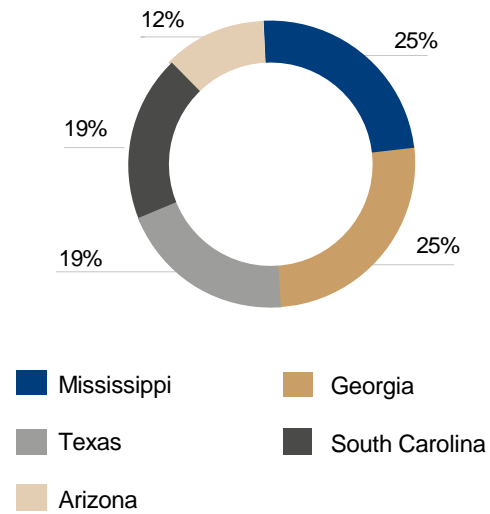
9 assets across 5 states

<sup>1</sup>Based on 30 June 2023 financials & assuming an FX rate of 0.663; FX rate at IPO was 0.725 based on PDS  
Past performance is no guarantee of future returns, actual returns may result in lower returns than forecast

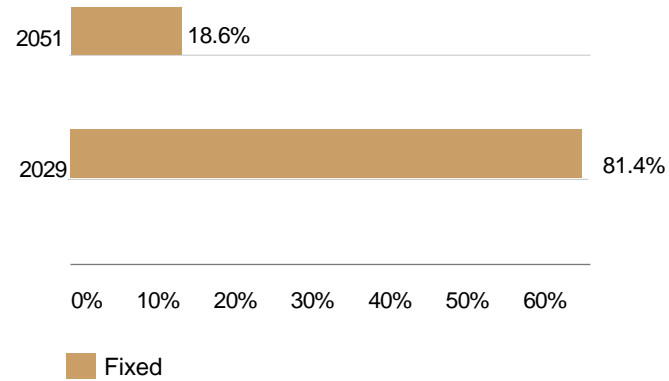
PORTFOLIO ASSET PROFILE



GEOGRAPHIC SPLIT BY STATE



DEBT MATURITY PROFILE



DEBT CHARACTERISTICS

**100%**  
Fixed Debt

**4.30%**  
Average Portfolio Rate

**9.69 Years**  
Average Maturity

- Diversity across investment classes, with almost one third of the portfolio being value-add
- Exposure to some of the most robust student housing markets in the United States, located strategically in the Sunbelt region

- No State represents more than 30% of the portfolio's market value, with Georgia and Mississippi the largest exposures at 25%
- SQ are looking to add further assets in target states to further enhance the portfolios diversification

- At 30 June the portfolio LVR sat at 59.7%<sup>1</sup>
- Typical Student Housing LVR's in the United States are around 55-70% with USQ's strategy on the conservative side
- Favourable terms on the Blackstone and US HUD debt facilities<sup>2</sup>, with an average fixed rate of 4.30% across the entire portfolio

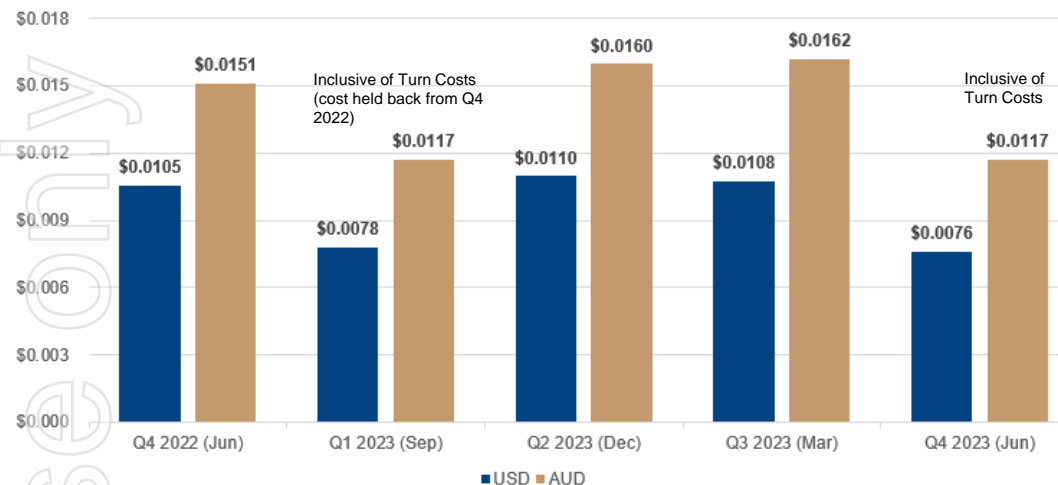


<sup>1</sup> Excluding cash as at 30 June 2023

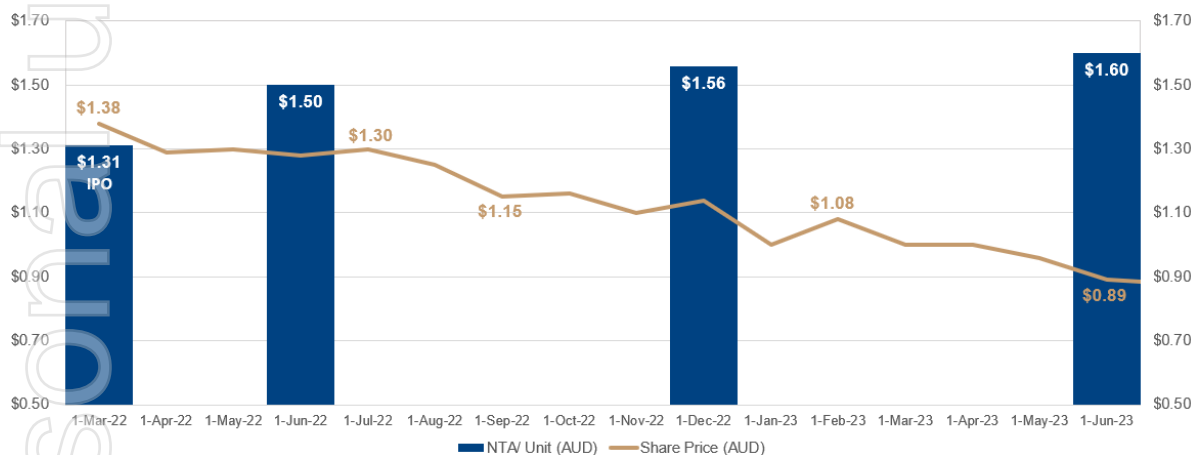
<sup>2</sup> Maturity of 2051 for US HUD debt facility at Edge (Texas Tech University) and rest of assets have debt facilities via Blackstone

# USQ DISTRIBUTIONS AND SHARE PRICE/NTA PERFORMANCE

USQ Historical Distributions<sup>1</sup>



USQ Historical NTA vs Share Price<sup>2</sup>



## FY23 Distribution Impacts

- Capital improvement project of **~US\$240,000** has been accounted for in FY23 for the Edge
- District at Clemson refinance 30 June 2023 to fixed rate debt (**6.40%**):
  - At IPO, net floating interest expense was **~US\$85,000/month**
  - Prior to June refinance, the monthly interest expense **increased significantly to an average of US\$120,000/month** at the end of FY23 due to interest rate rises
- District at Clemson shortfall in tax withholdings upon acquisition resulting in a one-time true-up of **US\$58,800**
- Roof repair completed at Village Walk for a total cost of **US\$120,000**
- Excess **turn cost** at Ole Miss assets largely due to required color changes for interior paint



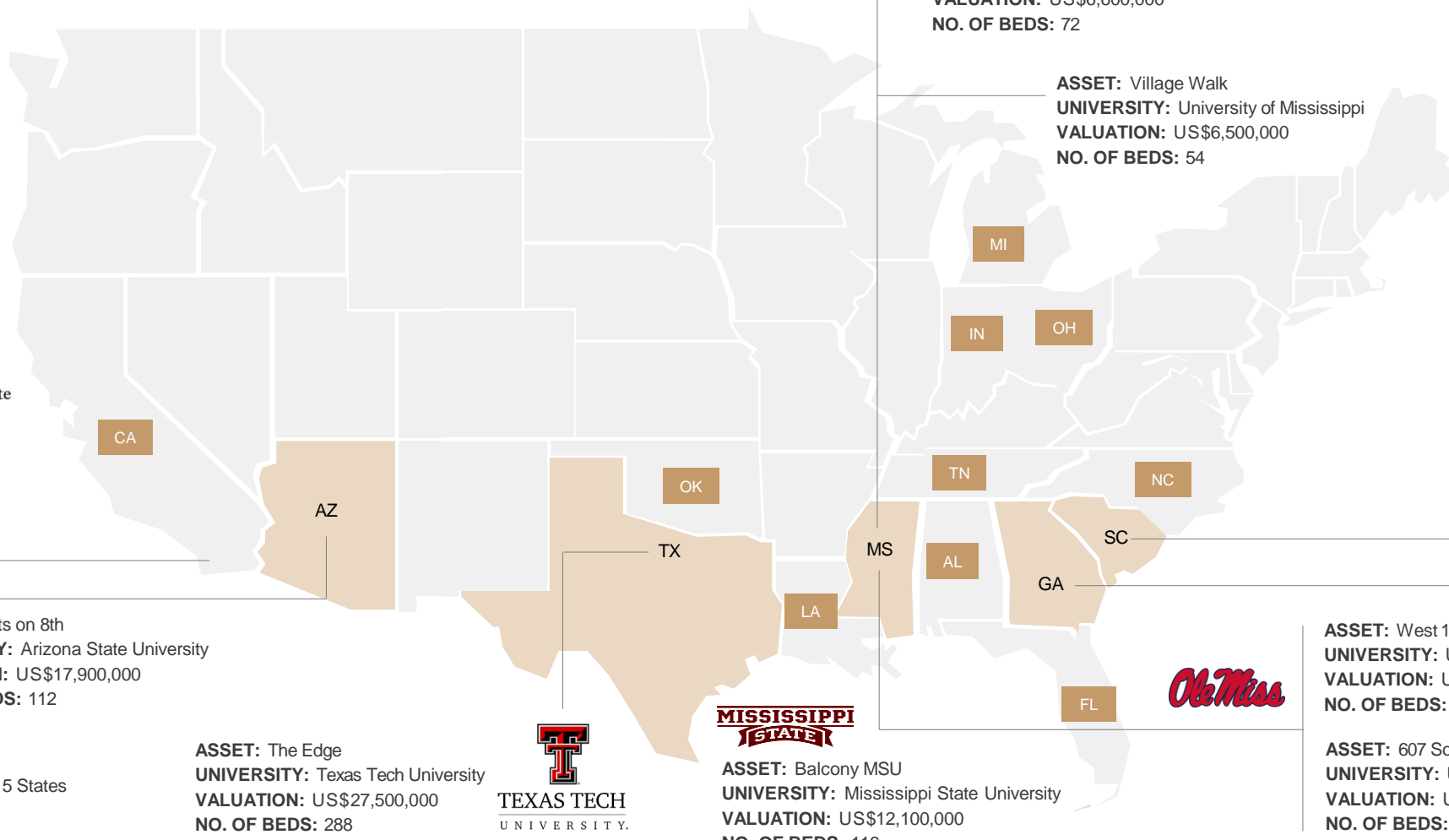
<sup>1</sup> Q4 2023 (June) distribution, to be paid August 30, is gross of withholding tax. All other distributions are net cash distributions paid. 'Turn' relates to the period at end of Academic Year when all students move out and new students move in for the upcoming academic year

<sup>2</sup> NTA/Unit figures are represented in AUD



# GEOGRAPHIC SPREAD

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**SDSU** San Diego State University

**ASU** Arizona State University  
**ASSET:** Lofts on 8th  
**UNIVERSITY:** Arizona State University  
**VALUATION:** US\$17,900,000  
**NO. OF BEDS:** 112

**ASSET:** The Edge  
**UNIVERSITY:** Texas Tech University  
**VALUATION:** US\$27,500,000  
**NO. OF BEDS:** 288

**TEXAS TECH UNIVERSITY**

**MISSISSIPPI STATE**  
**ASSET:** Balcony MSU  
**UNIVERSITY:** Mississippi State University  
**VALUATION:** US\$12,100,000  
**NO. OF BEDS:** 116

**ASSET:** Traditions  
**UNIVERSITY:** University of Mississippi  
**VALUATION:** US\$6,600,000  
**NO. OF BEDS:** 72

**ASSET:** Village Walk  
**UNIVERSITY:** University of Mississippi  
**VALUATION:** US\$6,500,000  
**NO. OF BEDS:** 54

**CLEMSON UNIVERSITY**  
**ASSET:** District at Clemson  
**UNIVERSITY:** Clemson University  
**VALUATION:** US\$28,850,000  
**NO. OF BEDS:** 245

**Georgia State University**  
**ASSET:** 200 Edgewood  
**UNIVERSITY:** Georgia State University  
**VALUATION:** US\$36,900,000  
**NO. OF BEDS:** 254

**ASSET:** West 100  
**UNIVERSITY:** University of Mississippi  
**VALUATION:** US\$5,500,000  
**NO. OF BEDS:** 60

**ASSET:** 607 South  
**UNIVERSITY:** University of Mississippi  
**VALUATION:** US\$5,900,000  
**NO. OF BEDS:** 52



# Asset Update

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## District at Clemson – Core Plus

### Acquired November 2021

- The District was initially acquired on a floating rate loan. Given the recent surge in interest rates the asset has been refinanced as of 30 June 2023 to fixed rate debt (**6.40%**)
- As of 30 June 2023, **capital gain on equity of 36.9%** or **IRR of 23.3%**<sup>1</sup>
- Preleasing for 2024-2025 academic year has already begun with a target **net effective rent growth of 12.01%**



**USD \$7.87m → USD \$10.78m**

### Equity growth

Completed asset valuation process from CBRE with the equity now valued at US\$10.78 million (up from \$7.87 million at acquisition)

**100%**

**Pre-leased**  
for 2023-2024 AY

**12.01%**

**Target Rental rate growth<sup>2</sup>**  
for 2024-2025 AY

**14.45%**

**Rental rate growth**  
for 2023-2024 AY

<sup>1</sup> Based on financials listed in USQ 2023 Annual Report

<sup>2</sup> Based on the current Clemson rate book with which SQ have started pre-leasing for AY 24/25. Note forecasts cannot be guaranteed, and may change as pre-leasing continues

## The Edge – Value Add

- Currently undergoing capital improvement initiatives with the strategic goal of unlocking the asset’s maximum potential.
- USQ intends to leverage the Edge’s favorable fixed-rate debt (**3.18% interest rate maturing in 2051**) and the expected capital improvements, in order to generate a higher asset valuation.
- The Capex project aims to generate total returns in excess of the 15% target IRR.



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# Lofts On 8<sup>th</sup> – Core Plus

## Acquired at IPO – March 2022

- The 2022-2023 AY was the first full school year of ownership under SQ management
- 17.50% rental rate growth achieved for the 2023-2024 AY (6.50% higher rent growth achieved 2023-2024 AY than underwritten)



Tempe, AZ



# 100%

Pre-leased  
for 2023-2024 AY

# 17.5%

Rental rate growth  
for 2023-2024 AY

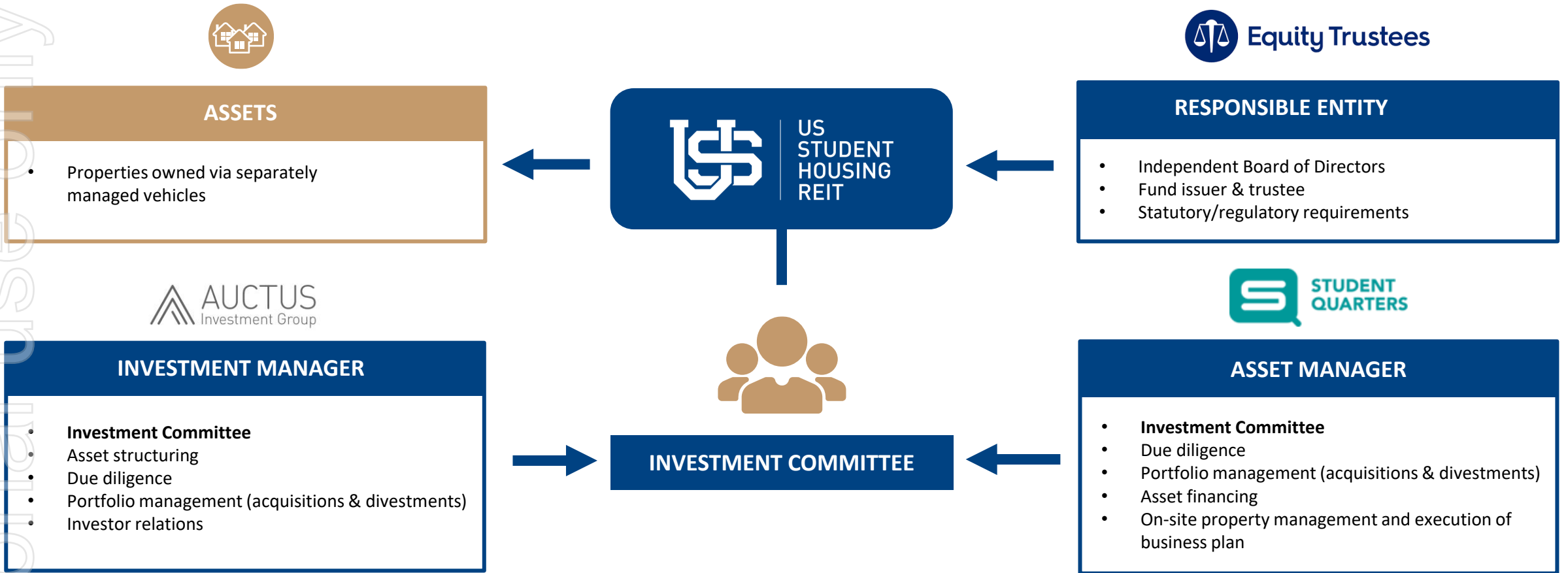


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# USQ Structure & Governance

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# US STUDENT HOUSING REIT STRUCTURE



PROVEN PARTNER – STUDENT QUARTERS (‘SQ’)

21.2%

Realised Net Investor IRR<sup>1</sup>

2.0x

Net Investor Multiple<sup>1</sup>

“A key element of Student Quarters’ net investor return is capital growth generated by operational efficiencies”

Proven Track Record in the US Student Housing Sector:

- Current owner/operator of over **11,000 beds** across **34 properties**, **22 campuses** and **17 US states**
- Over **US\$371.5M** in disposition volume since the company’s inception in 2013, generating net investor returns in excess of 21%
- Robust portfolio expansion post-COVID with over **US\$665M** in total acquisition volume since March 2020, adding 6,642 beds to the SQ portfolio<sup>2</sup>
- Ranked **#16** in total beds owned and managed across the student housing industry in 2022 – up from **#23** in 2021

Co-Investment into USQ Assets:

- SQ and SQ investment partners typically provide between 1-10% of total equity on acquisitions
- SQ holds an equity stake in the Texas Tech (10%), Clemson (5%), and Arizona State (1%) assets within the USQ portfolio, ensuring managerial alignment to execution of the underwritten business plan

Vertically Integrated Platform:

- SQ is a fully integrated owner and operator of US student housing, with 5 decades of expertise in underwriting, acquiring, operating, managing, and disposing of assets to generate returns for investors



STUDENT QUARTERS

- ✓ **\$1.1 billion** IN PROPERTIES UNDER MANAGEMENT
- ✓ **11,000** BEDS
- ✓ **34** COMMUNITIES
- ✓ **22** CAMPUSES IN 17 US STATES

All figures in AUD unless otherwise stated.

<sup>1</sup> As at 31 December 2022 dating back to SQ inception in 2013  
<sup>2</sup> 495 of the beds have since been sold as of 31 December 2022





## STUDENT QUARTERS

- Common ownership interests in USQ's portfolio, fostering a unified commitment to driving value and increasing Net Operating Income (NOI) across the entire portfolio.
- The alignment enables collaborative decision-making, resulting in optimized operational efficiencies, cost reduction, and strategic improvements that elevate Net Distributable Income, ultimately enhancing overall profitability for investors.
- By strategically assessing potential exit strategies, such as asset sales or refinancing, the partnership aims to maximize the portfolio's exit value while targeting a 15% IRR on each asset
- Both Auctus and Student Quarters have significant alignment capital sitting alongside unitholders

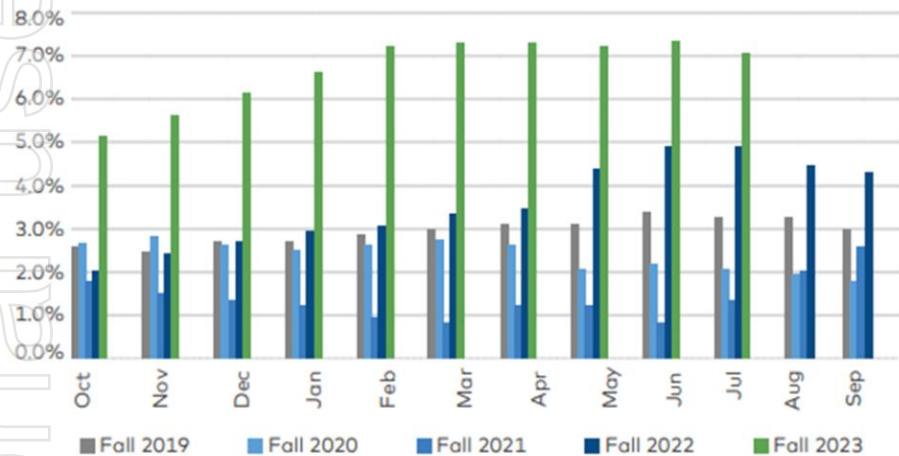
# Sector Overview – 2023

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## 7% + National Rental Rate Growth

- Yardi Matrix 200 schools reported an average of over 7% rental rate growth year-over-year through July, a remarkable high for the sector<sup>1</sup>
- Per data provided by Berkadia & RealPage Analytics, as of 30 June 2023, rental rate growth for purpose-built student housing has exceeded 8.8 % for AY 23-24<sup>2</sup>

Yardi 200 Annual Rent Growth

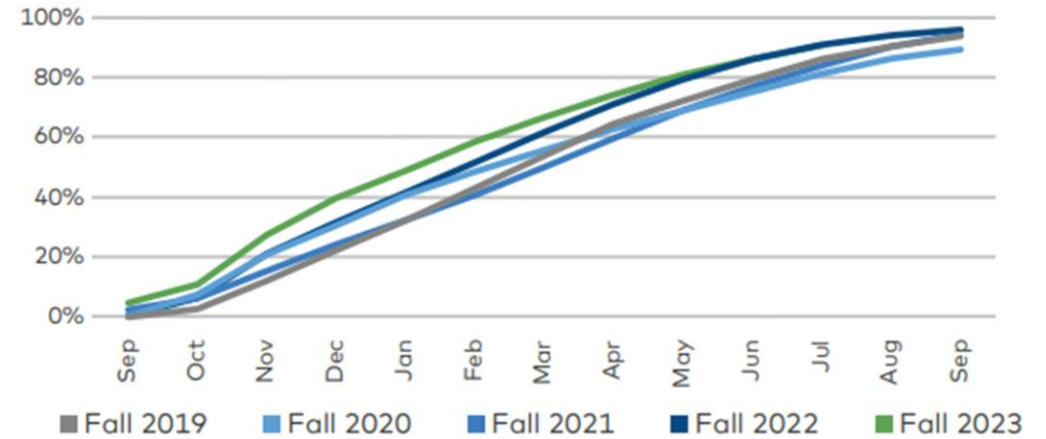


Source: Yardi Matrix

## Historical Preleasing Velocity

- As of July, 90.9% of beds at Yardi 200 universities were preleased for the upcoming fall term, a 4.6% increase from the prior month and about even with last year<sup>1</sup>
- Per data provided by Berkadia, overall preleasing as of 30 June 2023 was 87.1%, an increase of 90 BPS from June 2022<sup>2</sup>

Yardi 200 Prelease Curves



Source: Yardi Matrix

<sup>1</sup>Yardi Matrix Student Housing National Outlook | Spring 2023

<sup>2</sup>Berkadia 2023 Student Housing Preleasing Report 2023

While other commercial real estate property types are seeing deceleration in fundamental performance amid a slowing economy, the student housing industry is gaining steam.

**Significant Barriers to Entry:**

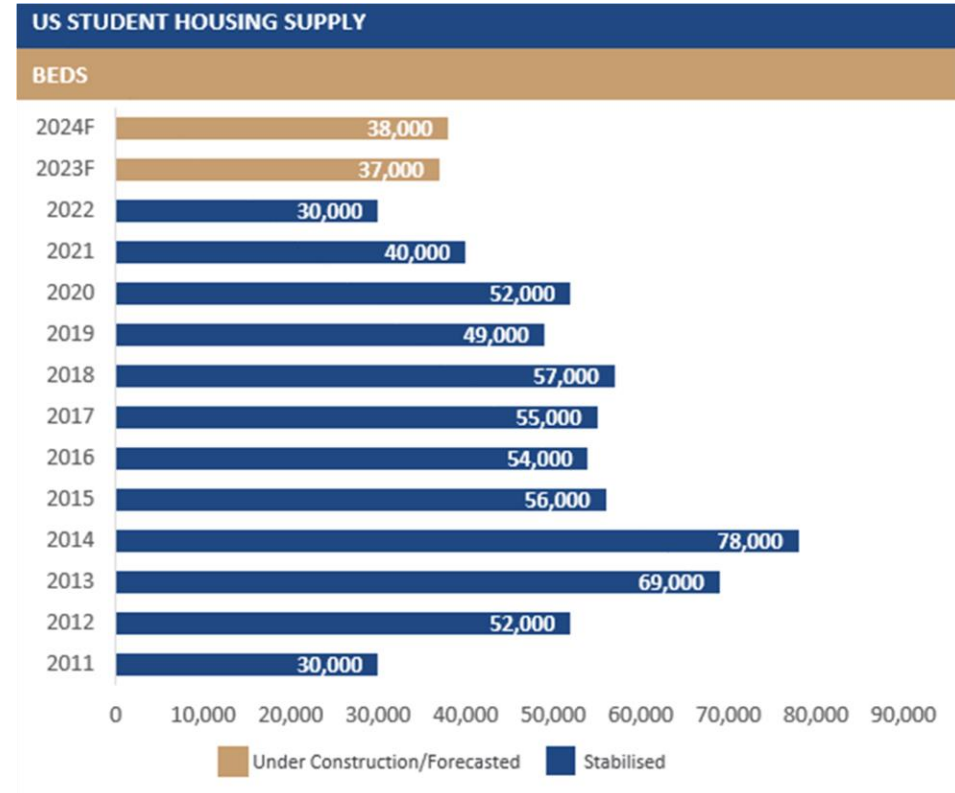
- Limited available land for development around Top 200 Universities<sup>1</sup>
  - 2023 marks the **second lowest year since 2012** for purpose-built student housing deliveries despite surging university enrolment across the US
- 2024 pipeline data from RealPage Market Analytics Student Housing shows a slight increase in forecast supply, but still indicates that it will be the **third lowest year of deliveries since 2012**

**Strong Sector Tailwinds**

- Record levels of pre-leasing, occupancy, and rental rate growth for Fall 2022 at Power 5 universities, with even higher pre-leasing and rental rate growth poised for the Academic Year beginning in Fall 2023
- 22.2% of the US population is under the age of 18, with demand for higher level education and total enrollment to remain steady through 2028<sup>2</sup>
- Demand is most robust in the larger, more competitive universities where enrollment is increasingly concentrated, producing demand for housing both on and off campus.

23/24 Academic Year	
<b>US\$851</b>	<b>8.80%</b>
<b>AVERAGE RENT/BED</b>	<b>INCREASE FROM</b>
<b>PER MONTH</b>	<b>JUNE 2022</b>

Source: RealPage / Berkadia<sup>3</sup>



Source: RealPage Market Analytics Student Housing (MASH)

<sup>1</sup> Direct quote from Wes Rogers ( CEO of Landmark Properties) on CNBC segment dated 17 August 2023

<sup>2</sup> Institute of Education Sciences – National Center for Education Statistics

<sup>3</sup> Berkadia 2023 Student Housing Preleasing Report 2023

# Looking Ahead

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## GROWTH INITIATIVES – CLOSING THE GAP TO NTA

# Marketing

**Grow USQ's presence as the only globally listed pure-play US student housing REIT**

by educating the Australian market on the strong sector tailwinds and demand drivers

# Scale

**Look for strategic acquisitions**

Scaling the REIT over time will enhance diversification, improve liquidity, and work toward closing the gap to NTA



## Stateside – San Diego State University

### Deal Highlights

- **Unit Mix:** 130 beds / 34 units
  - 2-, 3- and 4-bedroom floorplans
- **Best-in-Market Location:** Situated just across Montezuma Road and steps away from the southeastern point of campus
- **Strong Enrollment Base:** San Diego State enjoyed record enrollment in Fall 2022 with 35,723 students<sup>1</sup>, a 2.5% increase year-over-year. Even with tailwinds of COVID-19, the university has achieved a 3-year average enrollment growth of 1.6%<sup>2</sup>
- **Asset Profile:** Core Plus

### Investment Highlights

- **Purchase Price:**  
USD \$27,000,000 ↔ USD \$28,000,000
- **Targeted Total Return:**  
15% - 17% IRR / 2.0x Investor Multiple



<sup>1</sup> University of San Diego Fact Book. Enrollment figure stated excludes students at the Imperial Valley campus and solely focuses on main campus

<sup>2</sup> RealPage Analytics Student Housing Database

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## 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.

## STRATEGY

<b>INVESTMENT STRATEGY</b>	<b>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</b>	
<b>ASSET PROFILE</b>	<b>Asset Class</b>	Core-plus, Value-add and select Opportunistic
	<b>Target Universities</b>	Public 4-year universities with 10,000+ students, historic and projected enrolment growth, large off-campus resident demand, favourable supply dynamics and low student debt default ratios; ~240 qualified US university markets
	<b>Locations</b>	Less than 1 mile from campus / center of campus activity
	<b>Product Size</b>	~200+ beds
	<b>Vintage</b>	2015 or newer
	<b>Rent Class</b>	Upper half of market
<b>INVESTMENT TARGETS</b>	<b>Asset Price</b>	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.
	<b>Asset Debt</b>	60 to 65% loan to cost, non-recourse
	<b>Target Returns</b>	Annual return of 15% p.a. inclusive of quarterly income and capital gains

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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.



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