



REIT Q4 2021 Investor Newsletter

March 31, 2022

Message from Management

Management is pleased to report on the 2021 outcomes, both in terms of achieved growth and financial results. The residential portfolio increased to 830 units from 405 the year before. We expanded our core markets to the Okanagan and Victoria through portfolio purchases, while continuing to add infill purchases in existing markets. The Okanagan's market dynamics are similar to Vancouver Island, and we were able to expand where we have existing property management capabilities in place through Devon Properties. We entered the competitive Victoria market with a leasehold portfolio purchase. Although the REIT is the freehold owner of the land, 189 of the 307 units of the portfolio are occupied by unrelated leasehold owners. The right to occupy these units expire in 2074, at which point all rights revert to the REIT. The properties are in core downtown areas, and the current land appraisals on these properties far exceed the purchase price paid. More information is available in the financial statement notes.

Most of the REIT's purchases occurred in the last quarter of 2021, resulting in rental revenues not increasing in direct proportion to property values. Including fair value increases, property values increased from \$94M to \$199M between 2020 and 2021, while rental revenues increased from \$6.4M to \$8.0M. Management estimates that if there are no changes to the existing portfolio, rental revenues will reach around \$13M for 2022.

This growth was achieved through the combination of \$29M equity raises and \$68M mortgage closings throughout the year. Management wants to express their gratitude to Integral Wealth Securities, whose efforts secured the equity financing. Management also took full advantage of opportunities in the interest rate market while it lasted. Although the REIT's LTV target is 50%, Management intentionally pursued higher leverage while interest rates were favourable, locking it in for 10-years where possible. Overall, our portfolio is well positioned to maintain a steady yield even if interest rates increase.

Our portfolio was revalued higher by \$9.7M. This was achieved through the combination of value-add activities where rents are increased on turnover and valuation capitalization rates decreasing. The remaining fair value increase represents three properties that were sold during the year. These sales triggered a \$1M taxable capital gain, which flows through to investors. Those investors who do not have their holdings in registered accounts will have to report these gains on their tax returns. All the required information is available on the T3 slips that were distributed to relevant investors.

This all culminated in a NAV per Unit increase of 10.8% to \$15.92. Distributions are maintained at 3% of NAV per Unit, resulting in a proportional increase to these allocations.

Management continues to believe in the fundamentals of investing in our core markets and will continue to grow the portfolio in an accretive manner. Management is taking a more conservative approach in the short term, considering the recent movement in interest rates. While our acquisition pipeline is still robust with value-add opportunities, we do believe that capitalization rates could soon stabilize and possibly increase in the medium term. Although such movements could adversely affect property values, they present an opportunity to increase yields for those buyers who know their markets well.

\$15.92 NAV per Unit	3% Annual Distribution														
11.94¢ Quarterly Payment Per Unit	Mar. 31 Record Date Early-Apr. Next Distribution														
NAV per Unit Growth															
<table border="1"> <thead> <tr> <th>Year</th> <th>NAV per Unit</th> </tr> </thead> <tbody> <tr> <td>Inception</td> <td>\$10.00</td> </tr> <tr> <td>2018</td> <td>\$11.36</td> </tr> <tr> <td>2019</td> <td>\$12.36</td> </tr> <tr> <td>2020</td> <td>\$13.30</td> </tr> <tr> <td>2021</td> <td>\$14.37</td> </tr> <tr> <td>2022</td> <td>\$15.92</td> </tr> </tbody> </table>		Year	NAV per Unit	Inception	\$10.00	2018	\$11.36	2019	\$12.36	2020	\$13.30	2021	\$14.37	2022	\$15.92
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52% Loan to Value ⁽¹⁾	\$199M Value of Investment Properties ⁽¹⁾														
\$2.43M 2021 Net Operating Income	94% 2021 AFFO Payout Ratio Estimate ⁽²⁾														
Annualized Return⁽³⁾															
1 Year	12.8%														
3 Years	11.2%														
Inception	12.9%														

About All Island Equity REIT

AIE REIT is a diversified real estate investment trust with the primary mandate of owning income producing properties in British Columbia with \$199 million of assets in Vancouver Island and the interior. The portfolio consists of 830 apartment units and 58,035 square feet of commercial space.

The REIT is a tax-efficient investment vehicle that aims to pay a steady stream of distributions primarily generated through rental income on stabilized real estate assets. In addition to distributions, the value of REIT units is directly linked to the underlying value of the portfolio, which is independently appraised annually.

To contact us and find out more visit: <http://allislandequityreit.com/>

Glossary of Terms

Available Funds from Operation (AFFO): Net Operating Income less General and Administrative Expenses, Net Interest, and Maintenance Capital Expenditure.

AFFO Payout Ratio: Estimated full year AFFO as a percentage of estimated full year distributions made to unitholders.

Inception: AIE REIT was established in May 2017 with the acquisition of a \$65 million portfolio in the Comox Valley, excluding two commercial properties that were sold shortly after completion.

Loan to value (LTV): Aggregate of outstanding mortgage balances, plus amounts drawn on the line of credit, divided by carrying value of investment properties, based on IFRS accounting standards.

Management: Management of All Island Equity REIT.

Net Asset Value (NAV): Aggregate value of the trust Property, less the aggregate value of the trust's liabilities, subject to valuation rules set and estimates made by the trust from time to time.

Trust or AIE REIT: All Island Equity REIT, a Real Estate Investment Trust.

- (1) As of December 31, 2021.
- (2) AFFO Payout ratio is a subjective non-IFRS measure used to evaluate the Trust's ability to cover its distributions.
- (3) An annualized return based on a single unit investment in the AIE REIT, inclusive of unit price changes and distributions.

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