



# REIT Q3 2022 Investor Newsletter

December 15, 2022

## Message from the CEO

Since inception Management has sought to build a high-quality real estate portfolio that provides investors with the opportunity to invest in desirable local communities, all while preserving long-term unit value and maintaining a consistent distribution rate. Thank you for trusting us to manage your investment responsibly – we take pride in managing the REIT in the best interest of the unitholders.

At the end of each calendar year, AIE REIT requisitions third-party appraisals that form the foundation of our NAV; unitholders can expect the announcement of AIE REIT’s year-end unit value in March 2023. Additionally, AIE REIT has established an internal valuation process and will issue quarterly unit value adjustments moving forward.

The third-party appraisals determine the value of each income property by dividing the net operating income (“NOI”) for each property by the market capitalization rate (“Cap Rate”). Last year, both inputs of this equation performed in a way that was positive for price appreciation (i.e., higher NOI / lower Cap Rate). As interest rates rose in 2022, buying slowed; however, unlike the residential housing market, purchase prices and Cap Rates for income properties have remained stable in our core communities. Management continues to believe in the fundamentals of investing on Vancouver Island and in the Okanagan and will continue to grow the portfolio in an accretive manner.

Now, while Management continues to believe in the fundamentals of investing in our core communities, market shifts cannot be underestimated. Management will remain conservative and work diligently to protect against risk factors. In 2021, Management’s actions to hedge against risk factors included securing long-term financing on a majority of the portfolio at lower interest rates in anticipation of higher interest rates in 2022, or later. This protection against interest rate increases allowed Management to focus on improving the current portfolio and remain selective when underwriting potential acquisitions.

So, despite the current stability of income property Cap Rates in our core communities, Management believes there is potential for Cap Rates to 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. Management will remain focused on increasing Net Operating Income and acquiring accretive assets as a means of protecting unitholder value against potential Cap Rate risk.

## Portfolio Overview

- Residential vacancy was approximately 1.1% for the last three months (the majority of vacancies were due to vacant suites held for a month to complete renovations).
- Commercial vacancy was at 6.9% as of September 30, 2022.

## Capital Update

- Integral Wealth Securities completed a capital raise of \$5.7M on September 22, 2022, with another expected in December.
- Proceeds were used to purchase a 4-unit property, which is adjacent to other AIE REIT assets in Campbell River, for \$1.4M as well as clear the Vancity Line of Credit.

<b>\$15.92</b> NAV per Unit	<b>3%</b> Annual Distribution
<b>11.94¢</b> Quarterly Payment Per Unit	<b>Dec. 21</b> Record Date <b>End-Dec.</b> Next Distribution
<b>NAV per Unit Growth</b>	
<b>51%</b> Loan to Value <sup>(1)</sup>	<b>\$202M</b> Value of Investment Properties <sup>(1)</sup>
<b>\$2.1M</b> Q3 2022 Net Operating Income	<b>106%</b> 2022 AFFO Payout Ratio Estimate <sup>(2)</sup>
<b>Annualized Return<sup>(3)</sup></b>	
<b>1 Year</b>	<b>12.7%</b>
<b>3 Years</b>	<b>11.1%</b>
<b>Inception</b>	<b>11.4%</b>

## 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 over \$200 million of assets in Vancouver Island and the interior. The portfolio consists of 839 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.

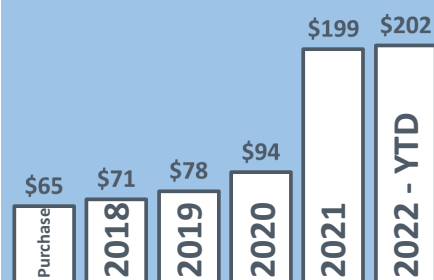
**Trust or AIE REIT:** All Island Equity REIT, a Real Estate Investment Trust.

- (1) As of September 30, 2022.
- (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.

## Legal Disclaimers

*These materials are not to be distributed, reproduced or communicated to a third party without the express written consent of All Island Equity REIT. These materials should be read in conjunction with the Trust's Offering Memorandum dated July 27, 2022, including the risk factors identified therein. This letter has been provided for general information purposes only and is not intended to be a solicitation to purchase Units of AIE REIT or advice regarding the suitability of the investment for specific investors. This letter contains forward-looking statements. These statements relate to future events or the Trust's views or predictions of possible future performance, operations, acquisitions and strategy based on assumptions and expectations which may not prove to be accurate. Such forward-looking statements involve risks, uncertainties and other factors, including the impact, severity and duration, of COVID-19, which may cause actual results, performance or achievements of AIE REIT to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. For more information on these risks and uncertainties, you should refer to the Trust's most recent Offering Memorandum. Any opinions expressed herein are effective as at the date of the letter. Management does not undertake to notify the reader of any subsequent change of circumstance or opinion unless required by law. Past results are not indicative of future performance. There is no assurance that the properties acquired by the Trust will perform as expected. NAV and AFFO are not measures recognized under IFRS and does not have standardized meaning prescribed by IFRS. The Trust's calculation of NAV, AFFO, and Annualize Returns may differ from other REITs and may change from time to time.*

## Investment Property Value (millions)

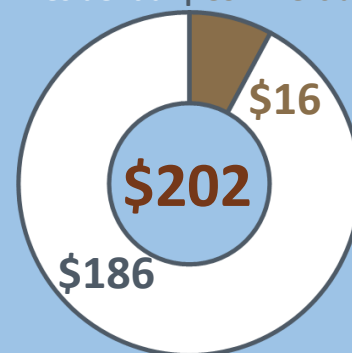


## Property Count

26 26 28 33 42 43

## Portfolio (millions)

Residential | Commercial



**Unaudited Income Statement - September 30, 2022**

	<i>Year to Date</i>
<b>Total Operating Revenues</b>	<b>9,731,326</b>
<b>Expenses</b>	
Utilities	607,617
Real Estate Taxes	704,458
Maintenance Expenses	695,685
Insurance	417,302
Site Staff Wages	594,531
Property Management Fees	860,318
<b>Total Operating Expenses</b>	<b>3,879,911</b>
<b>Net operating income</b>	<b>5,851,415</b>
Less General & Administrative	1,172,467
<b>EBITDA</b>	<b>4,678,948</b>
Less Mortgage Interest	2,250,640
Less Amortization - Financing Cost	345,558
<b>Net Income</b>	<b>2,082,750</b>

**Unaudited Balance Sheet - September 30, 2022**

<b>Assets</b>	
Current Assets	1,518,503
Cash and Cash Equivalents	2,704,177
Equipment	-
Properties	202,268,663
<b>Total Assets</b>	<b>206,491,343</b>
<b>Liabilities</b>	
Payables, Accruals and Prepaid Rent	397,926
Security Deposits Held	555,475
Vancity Line of Credit	14
Mortgages and Loans	102,710,575
<b>Total Liabilities</b>	<b>103,663,990</b>
<b>Owner's Equity</b>	
Net Investor Equity	100,744,604
Current Earnings	2,082,750
<b>Total Equity</b>	<b>102,827,353</b>
<b>Total Liabilities &amp; Equity</b>	<b>206,491,343</b>