



# REIT September 2023 Unitholder Letter

September 25, 2023

## Message from the CEO

Dear Fellow All Island Equity REIT Unitholders,

In a volatile economic year, All Island Equity REIT's ("AIE REIT") Management has remained focused on improving in-place portfolio performance and nurturing opportunities geared towards sustaining long-term returns for our unitholders. AIE REIT's Board and Management ascribe to a conservative approach that has provided a stable, passive investment, while always meeting redemption requests.

AIE REIT's primary investment region is Vancouver Island, and Management intends to leverage its knowledge of the region to increase yields through accretive acquisitions. As other institutional buyers are drawn to Alberta in the immediate term, AIE REIT will maintain the strategy of investing in desirable British Columbian communities with significant lifestyle benefits.

### Net Asset Value and the Annual Distribution

Due to a lack of comparable asset sales in our core markets, AIE REIT's Board held the 2023 Q2 Net Asset Value ("NAV") per Unit at \$16.36. Third-party appraisals are underway and will be finalized later in the year.

Due to the strong fundamentals underpinning commercial real estate in Canada, a limited supply or lack of willing sellers has slowed asset sales in our core markets. Recent commercial real estate sales across the Canadian market have in large part consisted of private buyers acquiring smaller assets at stable capitalization rates. This is positive news for AIE REIT given the similar makeup of the assets in our portfolio.

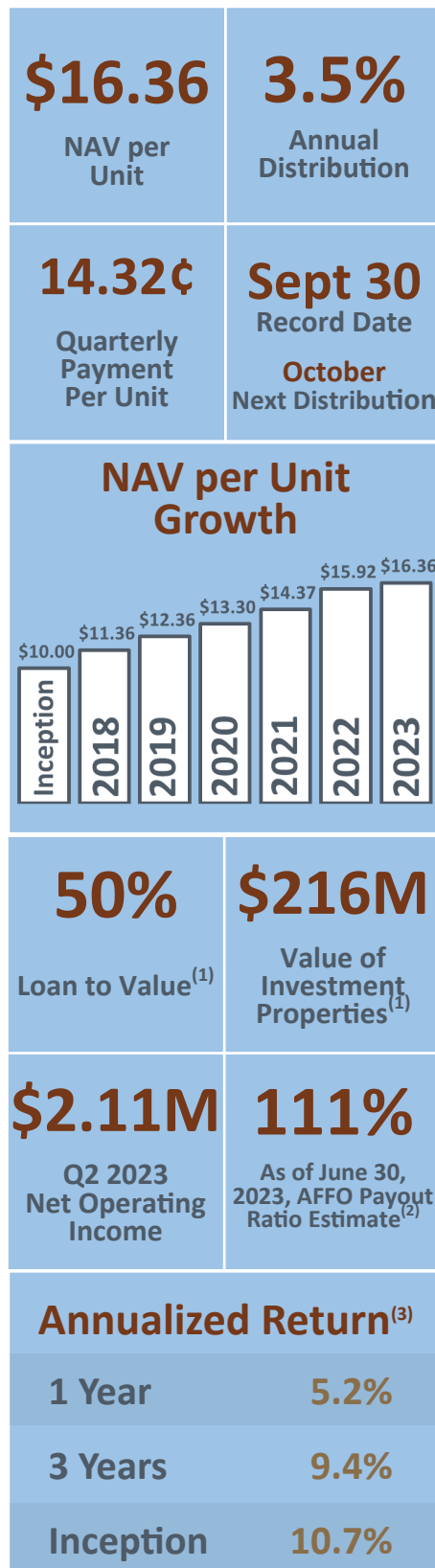
**AIE REIT's Board approved an increase in the annual distribution from 3% to 3.5%.** Unitholders will see this increase in their October 2023 quarterly distribution. The annual distribution has increased by 91% based on the original NAV per Unit price of \$10.00, or by an average of 15.5% per year.

### Acquisition and Capital Updates

In 2023, AIE REIT has completed three acquisitions to date, including a 31-suite multi-family asset on an eight-year assumed mortgage at an interest rate of 1.89%, and two Victoria leasehold suites with a capitalization rate in the high 5% to low 6% range. For comparison, recent Victoria capitalization rates are typically in the high 3% to low 4% range.

AIE REIT is targeting an \$8M capital raise by mid-November 2023. The funds will be used in part for the strategic acquisition of two higher yield opportunities currently under contract, including a portfolio consisting of five Vancouver Island healthcare commercial assets. The purchase price for each opportunity is less than \$3.5M.

With Canada's inflation rate stabilizing and AIE REIT's net operating income rising, Management continues to believe in the fundamentals of investing in our core markets - especially in the multi-family and commercial asset classes.



## 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 868 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.

**Capitalization Rate (Cap Rate):** Estimate of the rate of return on an investment property. Cap Rate = Net Operating Income / Property Value.

**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 June 30, 2023.

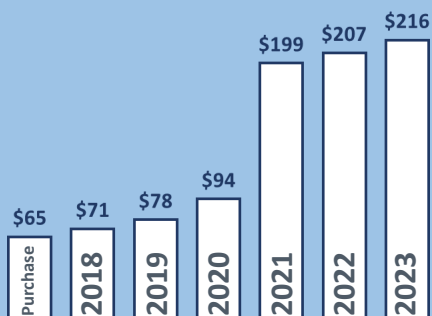
(2) AFFO Payout ratio is a subjective non-IFRS measure used to evaluate the Trust's ability to cover its distributions.

(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

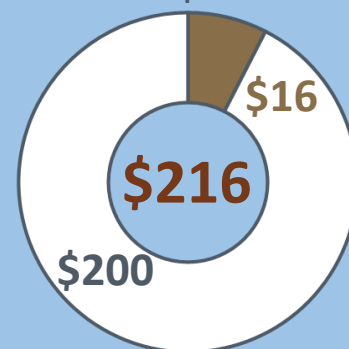


26 26 28 33 42 43 44

## Property Count

## Portfolio (millions)

Residential | Commercial



**Unaudited Income Statement - June 30, 2023**

<b>Total Operating Revenues</b>	<b>6,954,683</b>
<b>Expenses</b>	
Utilities	486,136
Real Estate Taxes	505,280
Maintenance Expenses	553,756
Insurance	292,430
Site Staff Wages	448,334
Property Management Fees / Leasehold Charges	527,063
<b>Total Operating Expenses</b>	<b>2,812,999</b>
<b>Net operating income</b>	<b>4,141,684</b>
Less General & Administrative	725,964
<b>EBITDA</b>	<b>3,415,720</b>
Less Mortgage Interest	(1,575,115)
Less Amortization - Financing Cost	(235,337)
Add Fair Value Adjustments	-
<b>Net Income</b>	<b>1,605,268</b>

**Unaudited Balance Sheet - June 30, 2023**

<b>Assets</b>	
Current Assets	93,516
Cash and Cash Equivalents	2,300,939
Equipment	-
Properties	215,698,240
<b>Total Assets</b>	<b>218,092,696</b>
<b>Liabilities</b>	
Payables, Accruals and Prepaid Rent	249,488
Security Deposits Held	623,859
Vancity Line of Credit	3,725,837
Mortgages and Loans	104,824,583
<b>Total Liabilities</b>	<b>109,423,766</b>
<b>Owner's Equity</b>	
Net Investor Equity	107,063,662
Current Earnings	1,605,268
<b>Total Equity</b>	<b>108,668,930</b>
<b>Total Liabilities &amp; Equity</b>	<b>218,092,696</b>