



# Firm Capital Apartment Real Estate Investment Trust

**INVESTOR PRESENTATION – Q3 2021**

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## Introduction to Firm Capital Organization

- Firm Capital Organization:
  - Established in 1988, operates as a boutique real estate and financial services equity investment company deploying capital opportunistically between debt and equity in the real estate private and public markets across Canada and the U.S. on all ends of the capital stack
  - As a leading non-bank lender, it has loaned more than \$11.35 Billion from 2000-2021 YTD in its mortgage business
  - Through its publicly-traded entities, holds 62 Commercial properties with GLA of 4.1M sq.ft., 4 Multi-Residential properties with 464 units and 2 MHC properties with 423 units across Canada and an additional 63 Multi-Residential properties with 1,846 units across the U.S. Sunbelt & U.S. Northeast states.
  - As Property Managers, manage in excess of 3,000 residential units & MHCs, and over 74 commercial properties

### AREAS OF INVESTMENTS



## Firm Capital Apartment REIT's Objective

Firm Capital Apartment REIT (“**FCA REIT**”) is a REIT focused on all ends of the capital structure in the attractive U.S. Multi-Family Residential sector with favourable fundamentals. FCA REIT aims to provide steady and growing distributions to investors by increasing cash flow through organic rent increases, accretive acquisitions and organic portfolio growth.



- TSXV: FCA.U (for \$USD) & TSXV: FCA.UN (for \$CAD)
- USD\$6.50/Unit (for FCA.U) & CAD\$8.40/Unit (for FCA.UN)
- Market Capitalization: USD\$49.4 Million
- Units Issued: Approximately 7.6 million
- Yield: 3.6%



# Fundamentals Driving The Demand For U.S. Multi-Residential

## HIGH BARRIERS TO HOMEOWNERSHIP

- Higher credit standards for mortgage application process have limited home purchases;
- Rise of student debt balances have prolonged average rent duration out of necessity;
- According to U.S. Census Bureau<sup>1</sup>:
  - The homeownership rate of 65.4% in Q3/2021 remains below the 25-year average of 66.3%, as it has since the 2008 financial crisis; and
  - The Q3/2021 homeownership rate was highest for those householders aged +65 years (79.7%) and lowest for those householders under 35 years of age (38.5%).

## GOVERNMENT SPONSORED FINANCIAL TERMS

- Loan Structures, leverage standards and interest rate pricing for multi-family properties are more favorable compared to any other real estate asset class;
- Variety of multi-family financial sources provides flexible capital structures to maximize returns;
- Fannie Mae & Freddie Mac offer unique financing advantage compared to other real estate asset classes and Government Sponsored Entities (GSEs) account for the largest source of multi-family financing option.



## APARTMENT DEMAND DRIVERS

- Many prefer the flexibility of renting, enabling both greater mobility and less maintenance;
- There is a continuing trend to delay “adult milestones”, such as getting married, having a child, and purchasing a home;
- Low vacancy rates in relation to other asset classes.
- According to Freddie Mac<sup>2</sup>:
  - The secondary and tertiary markets generally concentrated in the Sunbelt sections of the country are one of the markets projected to perform best in 2021 by gross rental income growth.
  - Potential for positive rent growth in the gateway markets (i.e. New York, Washington, etc.) by the end of 2021, as monthly data indicates they may have hit bottom and are starting an upward turn.

## DATA & PRICING TRANSPARENCY

- The U.S. has one of the most transparent CRE industries in the world; independent, subscription-based research firms provide non-biased data on rental rates, market conditions, development activity, property ownership trends and key performance indicators that allow investors to make well-informed investment decisions.

1) U.S. Census Bureau Q3/2021 Financial Vacancy & Homeownership Report dated November 2, 2021

2) Freddie Mac Multifamily 2021 Midyear Outlook Report dated July 26, 2021

## The Trust's Investment Strategy

FCA REIT targets balanced growth and income returns, including a unique blend of common equity returns (targeted at +20%), preferred equity returns (targeted at +8%), and preferred capital lending returns (targeted at +12%), and executed through the following acquisition and loan funding structure:

ACQUISITION & LOAN FUNDING STRUCTURE			
Wholly-Owned Real Estate Investments (Long-Term)	Joint Venture Real Estate Investments (Medium-Term)		Preferred Capital Investments (Short-Term)
New Conventional First Mortgage Typically Fannie Mae & Freddie Mac (65% to 75% LTV)	New Conventional First Mortgage Typically Fannie Mae & Freddie Mac (65% to 75% LTV)		New Conventional First Mortgage Typically Fannie Mae & Freddie Mac (65% to 75% LTV)
Equity FCA REIT (100% remaining equity)	Preferred Equity FCA REIT (~8.0% rate)		Preferred Capital Loan FCA REIT (~12% rate)
	Common Equity FCA REIT (50% remaining equity)	Common Equity Joint Venture Partner (50% remaining equity)	Equity Borrower (100% remaining equity)

## Sample Case Study of Each Investment Type

### Wholly-Owned Real Estate Investment (Long-Term)



- **Location:** Sunrise, Florida
- **Takeover Date:** Q3/2016
- **Estimated Takeover Value:** USD\$20.7 Million
- **Property:** 6 Apartments (153 units)
- **Investment Plan:** Buy and hold stabilized property and take advantage of premium market rents.
- **Historical Stabilized Occupancy:** +/- 98%
- **Average Rent Increase:** 16%\*
- **Net Operating Income Increase:** 15%\*
- **Estimated Value Increase:** 35%\*

### Joint Venture Real Estate Investment (Medium-Term)



- **Location:** Brentwood, Maryland
- **Acquisition Date:** Q1/2017
- **Purchase Price:** USD\$9.8 Million
- **Property:** 1 Apartment (116 units)
- **Investment Plan:** Value-add plan by investing in units and building-wide renovations to capture premium market rents.
- **Historical Stabilized Occupancy:** +/- 91%
- **Average Rent Increase:** 19%\*\*
- **Net Operating Income Increase:** 42%\*\*
- **Estimated Value Increase:** 50%\*\*

### Preferred Capital Investment (Short-Term)



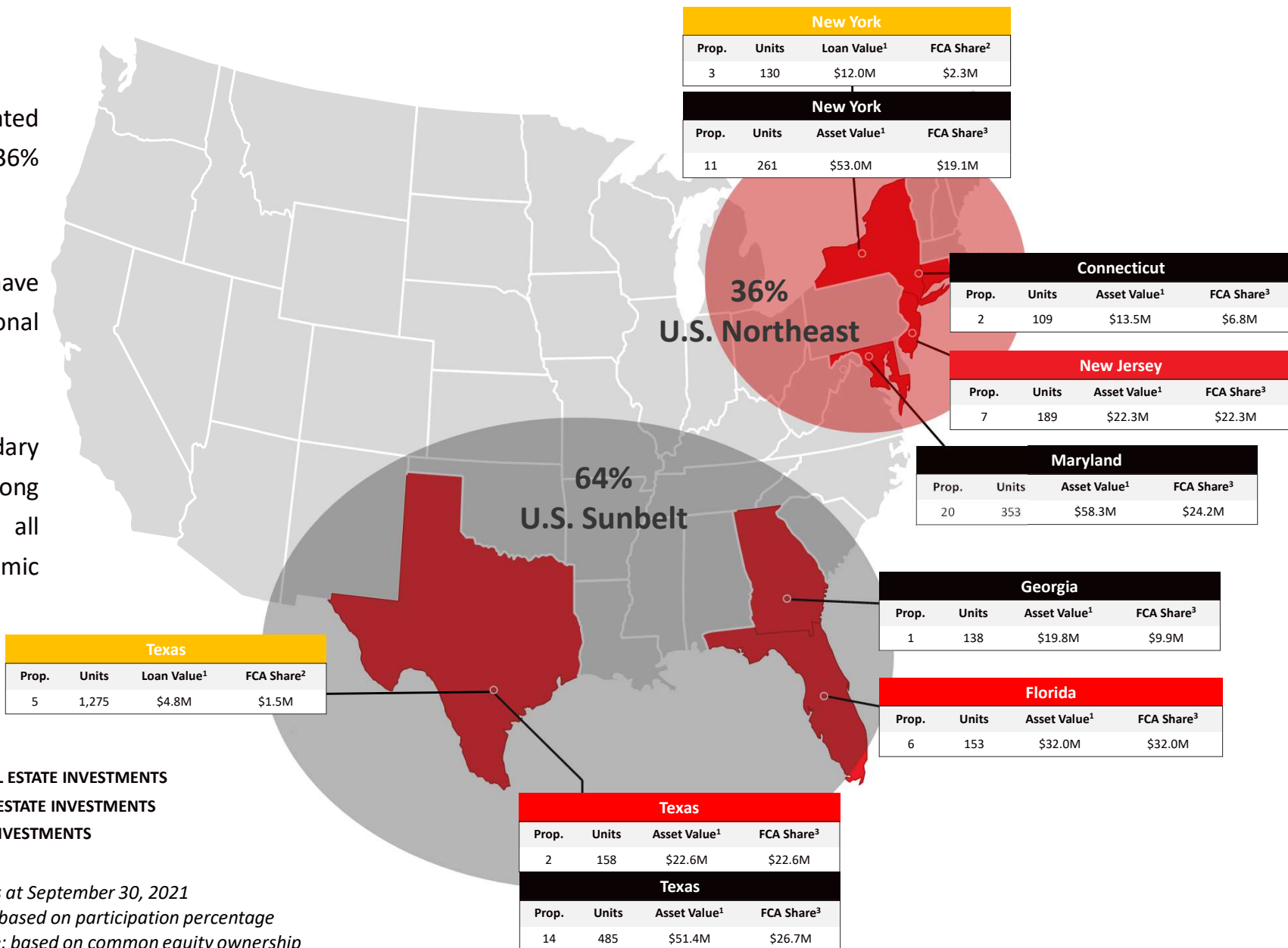
- **Location:** Houston, Texas
- **Inception Date:** Q4/2019
- **Loan Amount:** USD\$10 Million
- **Property:** 5 Apartments (1,275 units)
- **Investment Plan:** Preferred Capital Loan at a 12% rate for initial 2-year term.
- **Investment Outcome:** Preferred equity loan paid back in full by borrower in 2021.

Financials as at: \* Q3/2016 to Q3/2021; \*\* Q1/2017 to Q3/2021

## Property Summary<sup>1</sup>

### Strategically located in:

- 64% of Portfolio is located in the U.S. Sunbelt & 36% in the U.S. Northeast
- Major cities which have outperformed national REIT market
- Primary & secondary markets with strong demand throughout all phases of the economic cycle



(1) Shown at 100% share as at September 30, 2021

(2) FCA share of total loan; based on participation percentage

(3) FCA share of asset value; based on common equity ownership



## Investment Profile

- FCA REIT's real estate investment portfolio is comprised of 1,846 residential units across 63 apartment properties in 7 U.S. states and provides a broad platform for further external growth opportunities
- FCA REIT's preferred capital investments is currently comprised of 2 preferred capital loans secured by New York City and Houston apartment properties, providing high current income and enhancing the overall portfolio yield

Current Real Estate Investment Portfolio (US\$ in millions) <sup>(1)</sup>								
	State	Properties	Units <sup>(2) (3)</sup>	Occupancy	Asset Value	FCA Preferred (\$)	FCA Equity (\$)	FCA Ownership (%)
Wholly-Owned Real Estate Investments	Florida	6	153	98.7%	\$32.0	-	\$21.0	100.0%
	Texas	2	158	98.1%	\$22.6	-	\$16.4	100.0%
	New Jersey <sup>(3)</sup>	7	189	97.9%	\$22.3	-	\$8.8	100.0%
Joint Venture Real Estate Investments	New York <sup>(2)</sup>	11	261	95.0%	\$53.0	\$1.6	\$3.5	36.4%
	Maryland	20	353	92.1%	\$58.3	\$4.2	\$6.1	42.0%
	Connecticut	2	109	96.3%	\$13.5	\$1.3	\$1.3	50.0%
	Texas	14	485	95.5%	\$53.4	\$7.1	\$7.6	50.0%
	Georgia	1	138	98.6%	\$19.8	\$3.0	\$1.7	50.0%
Total Residential Units		63	1,846	95.8%	\$274.9M	\$17.2M	\$66.4M	59.8%

Preferred Capital Investments (US\$ in millions) <sup>(1)</sup>						
State	Properties	Units	Coupon	Investment	Term	FCA Share of Inv.
New York	3	130	12.0%	\$12.0	3 Years	\$2.5
Texas	5	1,275	10.0%	\$4.8	2 Years	\$1.5

1) All figures are shown at 100% share, except under columns for "FCA Preferred" and "FCA Equity";

2) Includes two commercial units;

3) Includes five commercial units.

## Q3/2021 Financial Highlights

In USD\$ millions, unless per unit or % amounts	Quarter Ended Sept. 30, 2021	Quarter Ended Jun. 30, 2021
<b>AFFO/Unit</b>	<b>\$0.08</b>	<b>\$0.08</b>
<b>NAV/Unit</b>	<b>\$9.75</b>	<b>\$9.45</b>
<b>Distributions/Unit</b>	<b>\$0.06</b>	<b>\$0.06</b>
<b>Leverage<sup>(1)</sup></b>	<b>26.2%</b>	<b>26.2%</b>
<b>Portfolio Size<sup>(2)</sup></b>	<b>\$176.4</b>	<b>\$173.8</b>
<b>AFFO Payout Ratio</b>	<b>70%</b>	<b>77%</b>

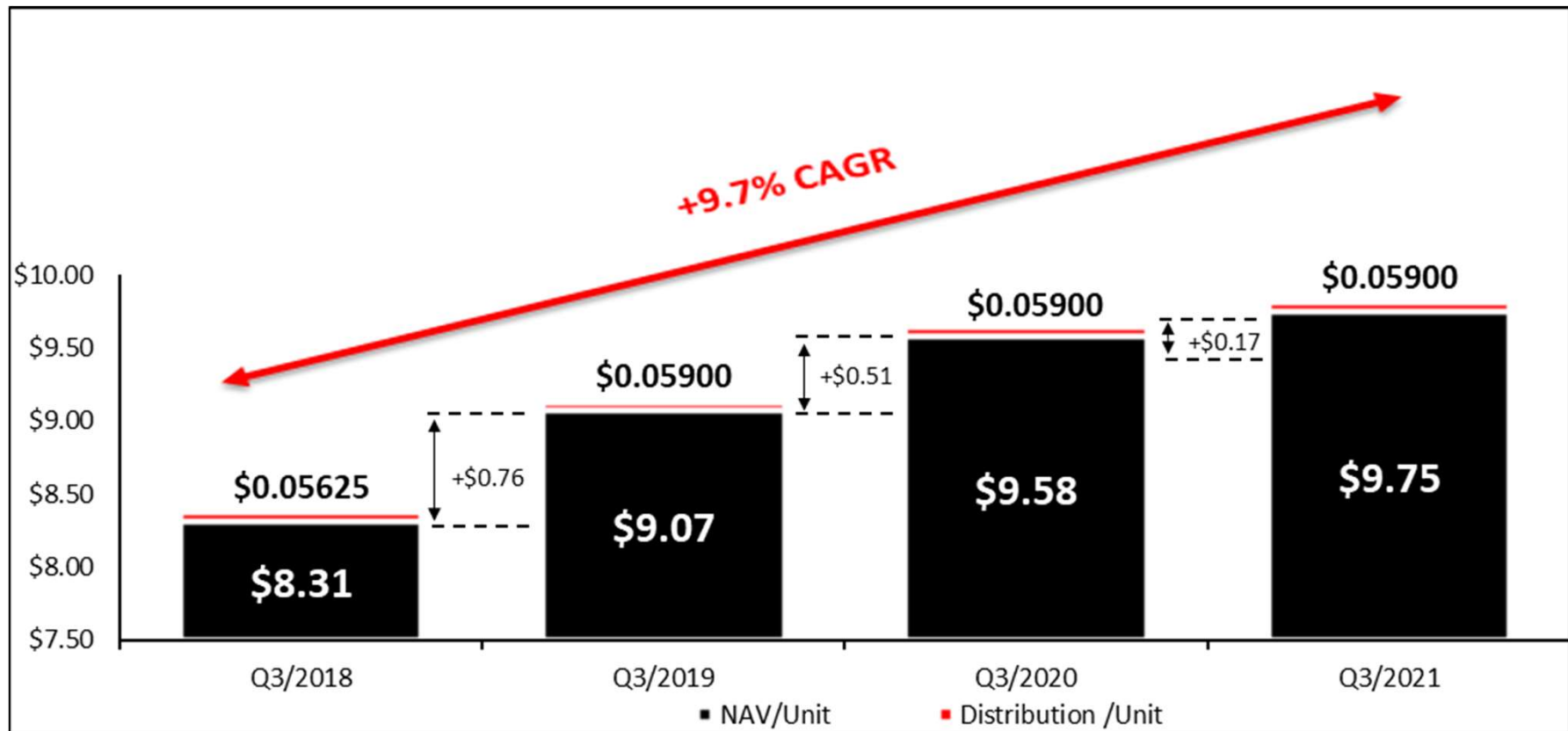
(1) Defined as Mortgages/Investment Portfolio, where the investment Portfolio includes FCA REIT's investment properties from its Wholly-Owned Investment Portfolio, its equity portion from its Joint Venture Portfolio and principal balances from its Preferred and Preferred Capital Investments. The mortgage balance excludes the debt associated with the convertible debentures. Including the convertible debentures the leverage would be 38.6%.

(2) Calculated including the pro-forma consolidation of its interests in the Joint Ventures Portfolio assuming proportionate consolidation.

## Reported NAV & Distributions Per Unit

- Net Asset Value has increased by 9.7% year-over-year, from USD\$7.85 in Q3/2017 to USD\$9.75 in Q3/2021
- Distributions were implemented in Q3/2017 and later increased to USD \$0.059/Unit commenced in Q1/2019
- NAV growth attributed to value-added initiatives and cap rate compression (valuation increases)

**Total value add equals to USD\$1.44/unit or the equivalent of USD\$10.95 million of imbedded growth while delivering a distribution yield of +3.6%**



## Rent Collection Update & Average Rent Increase

- FCA REIT has received approximately 92% of its expected rent since COVID-19 began in March 2020 to September 2021 and is actively either collecting the remaining rent or working with tenants who require assistance.
- FCA REIT's monthly average rents have increased by 4% since March 2020.
- By state, the rent collections and rent increases are as follows:

### RENT COLLECTION

	March 2020	September 2021
Texas	94%	98%
Georgia	99%	100%
Florida	98%	99%
<b>Subtotal for U.S. Sunbelt</b>	<b>96%</b>	<b>99%</b>
Maryland	85%	85%
New Jersey	83%	80%
Connecticut	97%	97%
New York	84%	87%
<b>Subtotal for U.S. Northeast</b>	<b>86%</b>	<b>86%</b>
<b>Total Weighted Average</b>	<b>91%</b>	<b>92%</b>

### AVERAGE RENT INCREASE

	March 2020	September 2021
Texas	\$884	\$934
Georgia	\$1,023	\$1,128
Florida	\$1,406	\$1,419
<b>Subtotal for U.S. Sunbelt</b>	<b>\$990</b>	<b>\$1,043</b>
Maryland	\$1,344	\$1,339
New Jersey	\$1,003	\$1,121
Connecticut	\$1,121	\$1,232
New York	\$1,550	\$1,518
<b>Subtotal for U.S. Northeast</b>	<b>\$1,323</b>	<b>\$1,329</b>
<b>Total Weighted Average</b>	<b>\$1,119</b>	<b>\$1,162</b>

Rent Increase

4%\*

\*Note: Excludes the Hyattsville, MD acquisition in Sept. 2020 and the Bridgeport, CT sale in Dec. 2020.



## NCIB & Accretive Investment Opportunity Benefiting Unitholders

- Since the beginning of COVID-19, FCA REIT through its NCIB and other accretive opportunities has prudently purchased for redemption and cancellation a total of 924,600 Trust Units at 52% of the original cost, thereby creating USD\$3.3 million of equity for future growth while effectively generating annual distribution savings that benefit Unitholders over the long term.

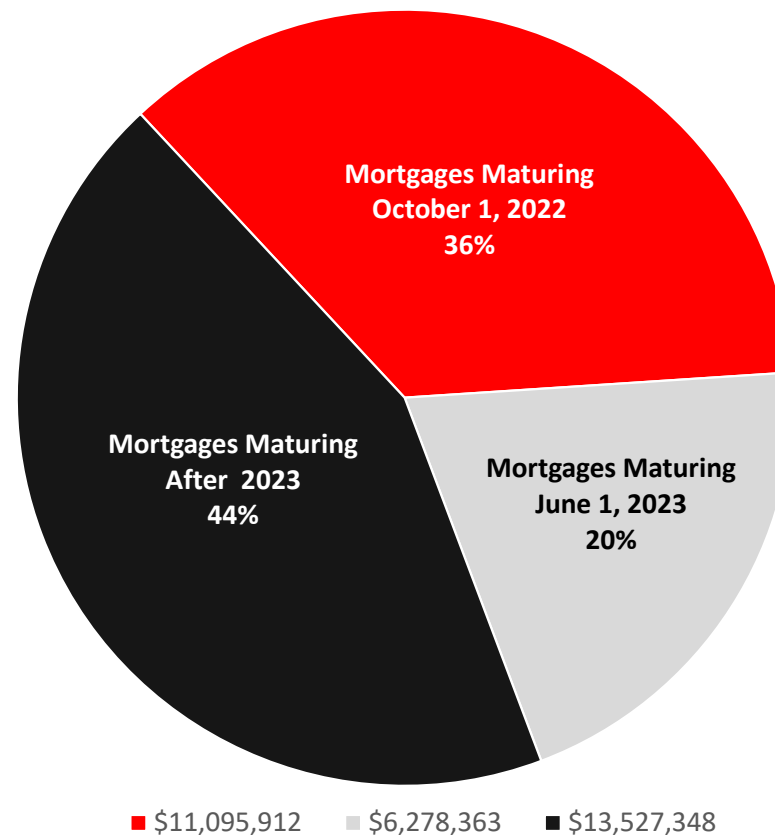
*Amounts in USD\$*

Normal Course Issuer Bid Activity & Accretive Cancellation of Trust Units				
	# of Trust Units Purchased for Cancellation by Trust	W.A. Cost of Units Purchased	Amount Paid by Trust	Implied Value Creation for Trust
2020	814,300 Units	\$4.00 to \$5.75	\$3,465,204	\$3,212,056
2021	110,300 Units	\$7.23	\$798,464	\$105,996
Total	924,600 Units		\$4,263,668	\$3,318,052

## Opportunistic Mortgage Refinancing & Growth Opportunity

- With 56% of the existing mortgages set to mature in the next 24 months, FCA REIT sees growth opportunities from:
  - Lower Cost of Debt (existing 4.3% vs. current market at ~3.75%);
  - Acquisition and Organic Portfolio Growth; and
  - Higher AFFO and Distributable Cashflows

### Mortgage Portfolio Maturity Due Dates



## Multi-Residential Comparables

- FCA REIT trades at a significant discount to its multi-residential REIT peer group and represents a better risk adjusted rate of return than peers:
  - Trading Price:** 31.2% discount to NAV vs. 0.6% discount for peers
  - Distribution Yield:** 3.6% vs. 2.8% for peers
  - AFFO Multiple:** 5.8x lower than peers
  - Higher cashflow payout:** 84.3% vs. 71.1% peers
  - 2020 distributions qualified as 100% Return of Capital**

### MULTI-RESIDENTIAL COMPARABLES\*

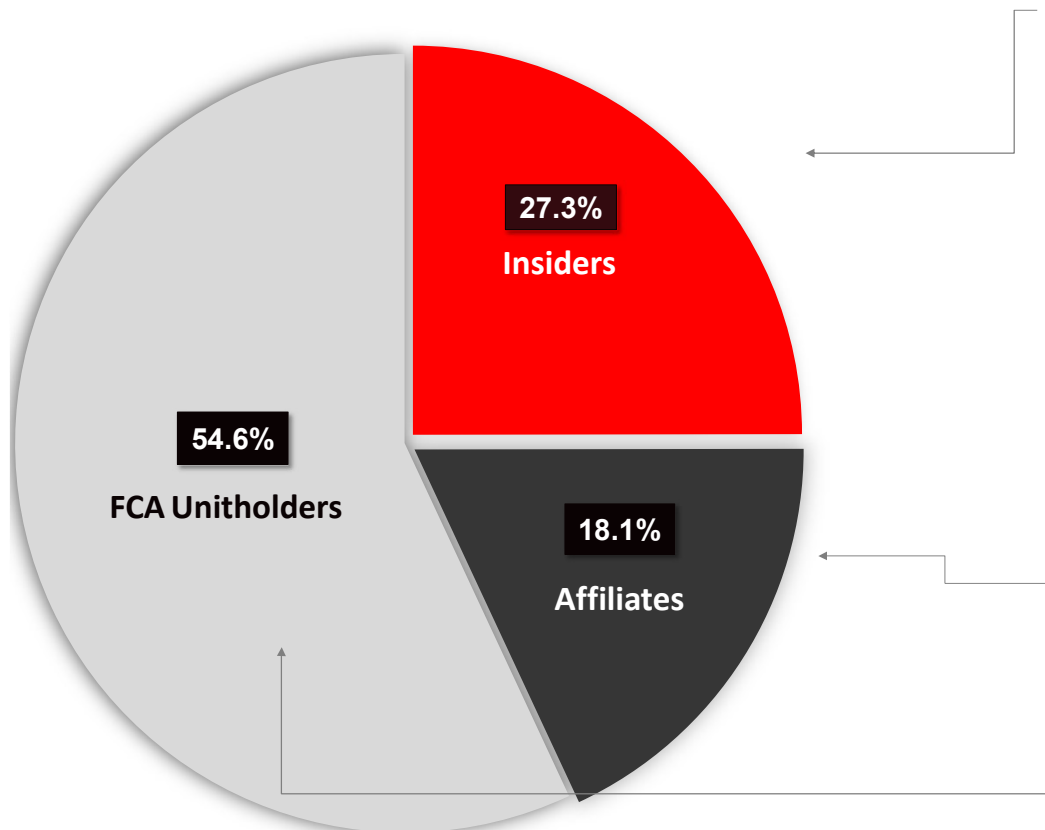
Comparable	Ticker	Currency	Price	Market Cap (\$Millions)	Debt to Gross Assets	Distributions Per Unit	Dist. Yield	AFFO Per Unit	AFFO Payout	AFFO Multiple	NAV	Premium / (Discount) to NAV
BSR REIT	HOM.U	USD	\$ 17.11	\$ 780	43%	\$ 0.50	2.9%	\$ 0.60	83.3%	28.5x	\$ 16.84	1.6%
InterRent REIT	IIP.UN	CAD	\$ 18.53	\$ 2,625	35%	\$ 0.33	1.8%	\$ 0.44	74.0%	42.1x	\$ 16.60	11.6%
Killam Apartment REIT	KMP.UN	CAD	\$ 23.15	\$ 2,389	45%	\$ 0.68	2.9%	\$ 0.92	73.9%	25.2x	\$ 22.36	3.5%
Minto Apartment REIT	MI.UN	CAD	\$ 23.16	\$ 1,900	30%	\$ 0.46	2.4%	\$ 0.70	64.8%	33.0x	\$ 19.41	19.3%
Morguard N.A. Residential REIT	MRG.UN	CAD	\$ 18.79	\$ 1,057	41%	\$ 0.70	3.7%	\$ 1.16	60.3%	16.2x	\$ 30.86	(39.1%)
<b>Total / Average</b>							<b>2.8%</b>		<b>71.1%</b>	<b>29.0x</b>		<b>(0.6%)</b>
<b>Firm Capital Apartment REIT</b>	<b>FCA.U</b>	<b>USD</b>	<b>\$ 6.50</b>	<b>\$ 49</b>	<b>39%</b>	<b>\$ 0.24</b>	<b>3.6%</b>	<b>\$ 0.28</b>	<b>84.3%</b>	<b>23.2x</b>	<b>\$ 9.45</b>	<b>(31.2%)</b>

\* As of November 4, 2021

## Insider Participation – A True Alignment of Interest

- Senior Management and the Board have a true alignment of interest with Unitholders, having ownership interest consisting of 13% of the common equity & preferred capital in FCA REIT, as well as controlling 27.3% of the outstanding Trust units issued.
- In addition, known institutional investors and affiliates of FCA REIT have ownership interest of 53% of the common equity & preferred capital in the REIT, as well as control 18.1% of the Trust units.

*45.4% of Units Held by Insiders & Affiliates*



Trustee Name	Number of Units Held Directly or Affiliated	Ownership Interest
Pat DiCapo	791,014	10.4%
Robert Parker	542,980	7.1%
Eli Dadouch	340,635	4.5%
Howard Smuschkowitz	185,802	2.4%
Geoffrey Bledin	124,000	1.6%
Keith L. Ray	70,373	0.9%
Sandy Poklar	12,539	0.2%
Valentina Kalyk	5,200	0.1%
Jonathan Mair	2,100	0.1%
<b>Subtotal for Insiders</b>	<b>2,074,643</b>	<b>27.3%</b>
Known Institutional Investors	1,378,508	18.1%
<b>Subtotal for Insiders &amp; Known Institutional Investors</b>	<b>3,453,151</b>	<b>45.4%</b>
FCA Unitholders	4,151,224	54.6%
<b>Total</b>	<b>7,604,375</b>	<b>100%</b>

Financials as at November 4, 2021



## Highly Experienced Management & Board of Trustees

Trustees	<b>Geoffrey Bledin</b> Chairman, Independent Trustee	<ul style="list-style-type: none"> <li>Corporate Director</li> <li>Former President and CEO of Equitable Trust Company</li> <li>Former Partner with Price Waterhouse</li> </ul>
	<b>Keith L. Ray</b> Independent Trustee	<ul style="list-style-type: none"> <li>CEO of Realvest Management</li> <li>Former Partner with KPMG LLP</li> </ul>
	<b>Pat DiCapo</b> Independent Trustee	<ul style="list-style-type: none"> <li>Founder of PowerOne Capital Markets Limited</li> <li>Former attorney with Smith Lyons LLP (now Gowlings WLG) and Goodwin Proctor LLP</li> </ul>
	<b>Howard Smuschowitz</b> Independent Trustee	<ul style="list-style-type: none"> <li>Corporate Director</li> <li>President of Total Body Care Inc. &amp; JRS Capital Management</li> <li>Former President of Homeland Self Storage</li> </ul>
	<b>Valentina Kalyk</b> Independent Trustee	<ul style="list-style-type: none"> <li>Over 20 years of capital markets experience, including 15 years with Canaccord Genuity where she was a Managing Director and a senior member of the institutional equity sales team, with a dedicated focus to REITs and real estate</li> </ul>
	<b>Robert Parker</b> Independent Trustee	<ul style="list-style-type: none"> <li>Vice President, Investments &amp; Asset Management of Muzzo Group and Pemberton Developments</li> <li>Former real estate lawyer at Minden Gross LLP</li> </ul>
	<b>Jonathan Mair</b> Non-Independent Trustee	<ul style="list-style-type: none"> <li>Vice President, Mortgage Banking of Firm Capital Corporation</li> <li>COO, SVP and Director of Firm Capital Mortgage Investment Corporation (TSX: FC)</li> <li>Trustee of Firm Capital Property Trust (TSXV: FCD.UN)</li> <li>Former Vice-President of KPMG Inc. from 1993 to 1997</li> </ul>
Management	<b>Eli Dadouch</b> Vice-Chairman	<ul style="list-style-type: none"> <li>Founder, President &amp; CEO of Firm Capital organization</li> <li>President &amp; CEO of Firm Capital Mortgage Investment Corporation (TSX: FC)</li> <li>Vice-Chairman, Co-CIO &amp; Trustee of Firm Capital Property Trust (TSXV: FCD.UN)</li> </ul>
	<b>Sandy Poklar</b> President & CEO	<ul style="list-style-type: none"> <li>COO and Managing Director, Capital Markets &amp; Strategic Developments of Firm Capital Corporation &amp; Former CFO of the Firm Capital Apartment REIT (TSXV: FCA.U/FCA.UN)</li> <li>CFO and Trustee of Firm Capital Property Trust (TSXV: FCD.UN)</li> <li>EVP, Finance of Firm Capital Mortgage Investment Corporation (TSX: FC)</li> <li>Trustee of True North Commercial REIT (TSX: TNT.UN)</li> <li>Previous investment banking roles with Macquarie Capital Markets Canada (Toronto) and TD Securities (Toronto)</li> </ul>
	<b>Mark Goldreich</b> CFO	<ul style="list-style-type: none"> <li>Former VP Finance &amp; Controller of the Firm Capital Apartment REIT (TSXV: FCA.U / FCA.UN) since 2019 and has been with the Trust since 2016</li> </ul>

Substantial Experience in Real Estate Management, Acquisitions, Lending and Finance

## Key Takeaways of FCA REIT

- Firm Capital Apartment REIT (TSXV: FCA.U/FCA.UN) with its compelling investment metrics, disciplined philosophy for growth & income and backed by a highly experienced Management Team & Board, offers investors the opportunity to profit from a Value Investing opportunity while benefiting from ongoing value creation through organic portfolio growth and tax efficient structure.

Value Investing Opportunity	<ul style="list-style-type: none"> <li>A REIT with solid assets in U.S. multi-residential space offering a great value on a risk-adjusted basis</li> <li>Trading at 31.2% discount to NAV (vs. 0.6% discount for multi-residential peers) offering excellent value investing opportunity</li> <li>24% 2021 total return (stock price increase plus accumulated distributions from Jan. 4/21 to Nov. 4/21)</li> <li>Steady cash flow with consistent quarterly distributions of USD\$0.059/unit</li> <li>3.6% attractive yield vs. 2.8% for peers in the multi-residential space</li> </ul>
Tax Efficient	<ul style="list-style-type: none"> <li>2020 distributions qualified as 100% Return of Capital</li> <li>Other eligibility options: RRSP, RRIF, TFSA, RESP, RDSP, DPSP</li> </ul>
Organic Growth	<ul style="list-style-type: none"> <li>Primed for growth in the short &amp; medium term through accretive acquisitions, opportunistic mortgage refinancing, and rent increases</li> <li>Portfolio size increased by 14% from USD\$154.7M to USD\$176.4M from Q2/2020 to Q3/2021 due to accretive acquisitions</li> <li>Low Leverage of 26% as at Q3/2021 (provides opportunity for portfolio growth potential)</li> <li>56% of existing mortgages set to mature in the next 24 months (provides growth opportunities from: i) lower cost of debt, ii) acquisitions and organic portfolio growth, and iii) higher AFFO and distributable cashflows)</li> <li>Strong 96% occupancy rate with a 70% AFFO payout ratio as at Q3/2021</li> <li>4% Rent Increase on existing properties from Q2/2020 to Q3/2021 (provides resistance to inflation related devaluations and maintain growth in earnings)</li> <li>NAV increased by +9.7% CAGR from Q3/2017 to Q3/2021</li> <li>Since the beginning of COVID-19, FCA REIT through its NCIB and other accretive opportunities has prudently purchased for redemption and cancellation a total of 924,600 Trust Units at 52% of the original cost, thereby creating USD\$3.3 million of equity for future growth while effectively generating annual distribution savings that benefit Unitholders over the long term.</li> </ul>
Solid Team & Alignment	<ul style="list-style-type: none"> <li>Highly experienced Management Team &amp; Board of Trustees in all areas of real estate, finance, accounting and investing in the U.S. (33+ year track record with combined over 100 years industry experience)</li> <li>Strong Alignment of Interest from Management &amp; Board of Trustees: control 27.3% of the outstanding Trust Units issued and their known institutional investors &amp; affiliates have ownership interest of an additional 18.1% of the outstanding Trust Units issued</li> </ul>

(Financials as at November 4, 2021, unless indicated otherwise)

## OUR CORE PRINCIPLES



### TRUST

Our partners, investors and clients can trust Firm Capital to execute on our commitment.



### INNOVATION

Firm Capital brings an innovative approach to structuring a transaction.



### RELATIONSHIPS

Firm Capital builds strong, long-term relationships with its partners, investors and clients.

Firm Capital is a real estate private equity investment firm and alternative investment manager based in Toronto, Canada. Since 1988, Firm Capital has focused on deploying proprietary and managed capital opportunistically between debt and equity investments in the private and public real estate markets. The organization has established an exceptional track record of successfully lending, financing, owning, investing, joint venturing and managing real estate all across Canada and parts of the US. Firm Capital focuses on a simple culture and goal: to be a client driven organization with impeccable integrity focused on preservation of capital through disciplined tactical investing at the same time as building long term relationships.

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