



NEWS RELEASE

BSR REIT Reports Solid Q1 2020 Earnings, Continues Capital Recycling and Provides an Operating Update Related to COVID-19

2020-05-11

LITTLE ROCK and TORONTO, May 12, 2020 /CNW/ - BSR Real Estate Investment Trust ("BSR", or the "REIT") (TSX: HOM.U and HOM.UN) today announced its financial results for the three months ended March 31, 2020 ("Q1 2020"). All comparisons in the following summary are to the corresponding period in the prior year. Results are presented in U.S. dollars. References to "Same Community" correspond to properties the REIT has owned for equivalent periods throughout Q1 2020 and the three months ended March 31, 2019 ("Q1 2019"), thus removing the impact of acquisitions and dispositions. Condensed Consolidated Interim Financial Statements and Management's Discussion and Analysis as of and for the three months ended March 31, 2020 are available on the REIT's website at www.bsrreit.com and at www.SEDAR.com.

"The BSR team continues to perform well in light of the challenges presented by COVID-19, effectively operating our properties while prioritizing the safety and wellness of our staff and residents," stated John Bailey, BSR's Chief Executive Officer. "Our property portfolio continued to produce positive momentum in the first quarter of 2020, as same community revenue and NOI maintained their established growth trajectories. Our capital recycling strategy continues as we successfully rotate capital into targeted primary markets on a tax-deferred basis, though the more-rapid pace of dispositions versus acquisitions had a short-term negative impact on total Q1 2020 NOI. As we continue to recycle this capital into new acquisitions, we expect the accretive impact will be reflected in our financial results going forward."

Q1 2020 Highlights

- Same Community¹ revenues for Q1 2020 increased 2.9% over Q1 2019;
- Weighted average rent was \$961 per apartment unit as of March 31, 2020 compared to \$835 per apartment unit as of March 31, 2019, a 15.0% improvement;
- Same Community¹ weighted average rent was \$889 per apartment unit as of March 31, 2020

compared to \$866 per apartment unit as of March 31, 2019, a 2.7% improvement;

- Same Community¹ Net Operating Income¹ ("NOI") for Q1 2020 increased 3.9% over Q1 2019;
- Debt to Gross Book Value¹ as of March 31, 2020 was 49.4%;
- Weighted average occupancy was 94.2% as of March 31, 2020 compared to 94.9% as of March 31, 2019;
- During Q1 2020, the REIT acquired Ariza Plum Creek Apartments in the Austin, Texas market for \$55.0 million; and
- During Q1 2020, the REIT exited the state of Louisiana with the sale of Westwood Village in Shreveport for gross proceeds of \$16.0 million.

Subsequent Highlights

- In April 2020, BSR collected 97.3% of total monthly revenue compared to the historical average of 99%;
- As of May 11, 2020, 93.4% of total May revenue owed was collected compared to the historical average of 95.9% typically collected by the 11th of the month ;
- The REIT received 142 requests for deferral of April rent payments and 14 requests for deferral of May rent payments, representing in aggregate less than 2% of the units in the portfolio;
- Late fees, evictions and scheduled rent increases have been suspended until the health crisis subsides;
- During April 2020, the REIT sold Summer Green I, Summer Green II and Summer Brook, located in Longview, Texas for gross proceeds of \$52.5 million;
- In May 2020, the REIT sold Summer Lake located in Longview, Texas for gross proceeds of \$17.3 million, resulting in pro forma Debt to Gross Book Value of 47.1%; and
- Weighted average occupancy was 94.0% as of April 30, 2020 compared to 95.2% as of April 30, 2019.

Since the completion of the REIT's Initial Public Offering ("IPO") in May 2018, the weighted average age of its portfolio has declined by seven years from 29 to 22 years old. This decrease is attributable to the impact of quality acquisitions meeting the REIT's investment criteria and dispositions resulting from the capital recycling program. The REIT's nine acquisitions following the IPO total 2,562 apartment units with a weighted average year built of 2009 (11 years old) compared to the 20 dispositions to-date which total 3,666 apartment units with a weighted average year built of 1982 (38 years old). The ongoing capital recycling program increased the percentage of NOI concentrated in BSR's primary markets of Austin, Dallas, Houston, Oklahoma City and Fayetteville/Northwest Arkansas to 79% compared to 55% as of the first quarter of 2019, calculated on a pro forma basis.

¹ Same Community, NOI, NOI margin, FFO, AFFO and Debt to Gross Book Value are non-IFRS financial measures. See "Non-IFRS Financial Measures" in this news release.

Financial Summary

In thousands of U.S. dollars

	Three months ended March 31, 2020	Three months ended March 31, 2019	Change	Change %
Revenue, Total Portfolio	\$ 27,522	\$ 27,709	\$ -187	-0.7%
Revenue, Same Community ¹ Properties	\$ 21,967	\$ 21,351	\$ 616	2.9%
NOI ¹ , Total Portfolio	\$ 14,683	\$ 15,134	\$ -451	-3.0%
NOI ¹ , Same Community ¹ Properties	\$ 12,169	\$ 11,709	\$ 460	3.9%
FFO ¹	\$ 5,322	\$ 8,061	\$ -2,739	-34.0%
FFO per Unit ¹	\$ 0.12	\$ 0.20	\$ -0.08	-40.0%
Escrowed rent guaranty realized (Satori)	\$ 437	\$ -	\$ 437	n/a
Loss on extinguishment of debt	\$ 1,648	\$ -	\$ 1,648	n/a
Maintenance capital expenditures	\$ 813	\$ 586	\$ 227	-38.7%
AFFO ¹	\$ 6,607	\$ 7,474	\$ -867	-11.6%
AFFO per Unit ¹	\$ 0.15	\$ 0.19	\$ -0.04	-21.1%
Weighted Average Unit Count	44,995,099	39,768,861	5,226,238	13.1%

The decrease in total portfolio revenue for Q1 2020 compared to Q1 2019 was primarily the result of property dispositions which reduced revenue by \$6.1 million, partially offset by acquisitions which contributed \$5.3 million in revenue, as well as higher rental rates across the portfolio. The \$0.4 million of income related to the rent guaranty on the Satori acquisition is not included in revenue, NOI or FFO in Q1 2020; however, it is included as an adjustment to AFFO in Q1 2020.

Same Community properties revenue outperformed Q1 2019 by \$0.6 million due to an increase in rental rates from \$866 per apartment unit as of March 2019 to \$889 per apartment unit as of March 2020.

The decrease in total portfolio NOI for Q1 2020 compared to Q1 2019 was primarily the result of property dispositions reducing NOI by \$3.3 million, partially offset by acquisitions contributing \$2.3 million in NOI as well as the increase in NOI from Same Community properties.

NOI from Same Community properties outperformed the Q1 2019 period by \$0.5 million, predominantly due to the increase in revenue, described above.

FFO was \$5.3 million for Q1 2020, or \$0.12 per Unit, compared to \$8.1 million, or \$0.20 per Unit, in Q1 2019. The decrease of \$2.7 million in FFO is mainly the result of the decrease of \$0.5 million in NOI related to the impact of dispositions, as well as an increase in finance costs of \$1.9 million primarily resulting from a \$1.6 million loss on extinguishment of debt, which includes the non-cash write-off of a \$1.4 million prepayment embedded derivative upon the refinancing of mortgage debt. General and administrative expenses (G&A) contributed \$0.4 million to the decrease in FFO over the prior period, primarily related to an increase of \$0.2 million in share based compensation and \$0.2 million in other payroll and benefits.

AFFO was \$6.6 million, or \$0.15 per Unit, for Q1 2020, compared to \$7.5 million, or \$0.19 per Unit, in Q1 2019. The decrease of \$0.9 million is primarily the result of the change in FFO described above, offset by the exclusion of loss on extinguishment of debt of \$1.6 million and the inclusion of income related to the rent guaranty on the Satori acquisition of \$0.4 million. Maintenance capital expenditures increased \$0.2 million over the prior year due to the acceleration of maintenance capital expenditures during the third and fourth quarters of 2018, which lowered maintenance capital expenditures in the first quarter of 2019.

Total Highlights from Recent Four Quarters

The following table highlights certain financial performance of the REIT reported for the most

recent four quarters of the REIT.

In thousands of U.S. dollars (except per unit amounts)

	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
Operational Information				
Number of real estate investment properties	40	40	44	45
Total apartment units	9,460	9,359	9,758	9,714
Average monthly rent on in-place leases	\$ 961	\$ 942	\$ 900	\$ 858
Average monthly rent on in-place leases, Same Community ¹ Properties	\$ 889	\$ 886	\$ 883	\$ 870
Weighted average occupancy rate	94.2%	93.6%	94.9%	95.0%
Retention rate	52.8%	53.7%	54.0%	55.0%
Debt to Gross Book Value ¹	49.4%	48.3%	46.2%	47.8%
	Three months ended March 31, 2020	Three months ended December 31, 2019	Three months ended September 30, 2019	Three months ended June 30, 2019
Operating Results				
Revenue, Total Portfolio	\$ 27,522	\$ 28,122	\$ 27,840	\$ 27,993
Revenue, Same Community ¹ Properties	\$ 21,967	\$ 22,025	\$ 21,936	\$ 21,648
NOI ¹ , Total Portfolio	\$ 14,683	\$ 14,864	\$ 14,533	\$ 15,168
NOI ¹ , Same Community ¹ Properties	\$ 12,169	\$ 11,917	\$ 11,540	\$ 11,664
NOI Margin ¹ , Total Portfolio	53.4%	52.9%	52.2%	54.2%
NOI Margin ¹ , Same Community ¹ Properties	55.4%	54.1%	52.6%	53.9%
FFO ¹	\$ 5,322	\$ 6,698	\$ 7,123	\$ 7,379
FFO per Unit	\$ 0.12	\$ 0.15	\$ 0.18	\$ 0.19
Escrowed rent guaranty realized (Satori)	\$ 437	\$ 660	\$ —	\$ —
Loss on extinguishment of debt	\$ 1,648	\$ —	\$ —	\$ —
Maintenance capital expenditures	\$ 813	\$ 1,196	\$ 722	\$ 1,354
AFFO ¹	\$ 6,607	\$ 6,273	\$ 6,455	\$ 6,188
AFFO per Unit	\$ 0.15	\$ 0.14	\$ 0.16	\$ 0.16
AFFO Payout Ratio	84.8%	89.6%	80.3%	80.3%
Weighted Average Unit Count	44,995,099	45,017,734	40,535,441	39,786,187

Liquidity and Capital Structure

As of March 31, 2020, the REIT had liquidity of \$54.2 million consisting of cash and cash equivalents of \$6.3 million, \$12.9 million available borrowing capacity under a \$175.0 million revolving credit facility and no balance drawn on a \$35.0 million line of credit. As of March 31, 2020, the REIT had total mortgage notes payable of \$405.1 million, excluding the credit facility, with a weighted average contractual interest rate of 3.9% and a weighted average term to maturity of 9.3 years. Total loans and borrowings of the REIT as of March 31, 2020 were \$559.4 million. As of March 31, 2020, 81% of the REIT's debt was fixed or economically hedged to fixed rates. Pro forma liquidity is \$77.1 million, subsequent to the dispositions of Summer Green I, Summer Green II, Summer Brook and Summer Lake.

Distributions and Units Outstanding

Cash distributions declared to REIT unitholders and Class B unitholders of BSR Trust, LLC totalled \$5.6 million for the first quarter of 2020, representing an AFFO payout ratio of 84.8%. 100% of the REIT's cash distributions were a return of capital. During the three months ended March 31, 2020, the REIT purchased and canceled 89,900 REIT Units under its normal course issuer bid and automatic securities purchase plan at an average price of \$8.57 per REIT Unit. The normal course issuer bid expired on March 27, 2020. As of March 31, 2020, the total number of REIT Units outstanding was 22,811,728. There were also 21,711,937 Class B Units of BSR Trust, LLC outstanding, which are redeemable for REIT

Units on a one-for-one basis.

Conference Call

John Bailey, Chief Executive Officer, and Susan Koehn, Chief Financial Officer, will host a conference call for analysts and investors on Wednesday, May 13th, 2020 at 11:00 am (ET). The dial-in numbers for participants are 416-764-8688 or 888-390-0546. In addition, the call will be webcast live at: https://produceredition.webcasts.com/starthere.jsp?ei=1299738&tp_key=5a43ec9899

A replay of the call will be available until Wednesday, May 20th, 2020. To access the replay, dial 416-764-8677 or 888-390-0541 (Passcode: 381329 #). A transcript of the call will be archived on the REIT's website.

About BSR Real Estate Investment Trust

BSR Real Estate Investment Trust is an internally managed, unincorporated, open-ended real estate investment trust established pursuant to a declaration of trust under the laws of the Province of Ontario. The REIT owns a portfolio of multifamily garden-style residential properties located in attractive primary and secondary markets in the Sunbelt region of the United States.

Non-IFRS Financial Measures

Same Community, NOI, NOI Margin, FFO, AFFO and Debt to Gross Book Value are key measures of performance commonly used by real estate operating companies and real estate investment trusts. They are not measures recognized under International Financial Reporting Standards ("IFRS") and do not have standardized meanings prescribed by IFRS. Same Community, NOI, NOI Margin, FFO, AFFO and Debt to Gross Book Value as calculated by the REIT may not be comparable to similar measures presented by other issuers. Please refer to the REIT's Management's Discussion and Analysis for the three months ended March 31, 2020 for a reconciliation of Same Community, NOI, NOI Margin, FFO, AFFO and Debt to Gross Book Value to standardized IFRS measures.

Forward-Looking Statements

This news release contains forward-looking information within the meaning of applicable securities legislation, which reflects the REIT's current expectations regarding future events, including the accretive impact of the REIT's capital recycling efforts on future financial results and the potential impact of COVID-19, and in some cases can be identified by such terms as "will" and "expected". Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond the REIT's control that could cause actual results and events to differ materially from those that are disclosed in or implied by such forward-looking information. The REIT's estimates, beliefs and assumptions, which may prove to be incorrect, including those relating to the REIT's ability to finance and complete future acquisitions, as well as that COVID-19 will not have a material impact on the REIT's business. The risks and uncertainties that may impact such forward-looking information include, but are not limited to, the impact of COVID-19 on the REIT's operations, business and financial results and the factors discussed under "Risks and Uncertainties" in the REIT's Management's Discussion and Analysis for the three months ended March 31, 2020 and in the REIT's annual information form dated March 10, 2020, both of which are available on SEDAR (www.sedar.com). The REIT does not undertake any obligation to update such forward-looking information, whether as a result of new information, future events or otherwise, except as expressly required by applicable law. This forward-looking information speaks only as of the date of this news release.

SOURCE BSR Real Estate Investment Trust