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AVENUE LIVING EXPANDS TO USA

Calgary-based Avenue Living Asset Management is taking its successful model of acquiring B and C class multi-family properties in Western Canada and has launched the Avenue Living U.S. Real Estate Trust, the firm's first United States focused investment vehicle. This opportunity comes with its due diligence and a cautiously optimistic strategy and planning process, beginning back in early 2019.

Avenue Living's roots began in 2006 with the acquisition of a multi-family rental building in Brooks, Alberta for \$3 million CAD and since has substantially grown its portfolio. The company currently includes \$1.7 billion CAD in assets under management over its five funds, encompassing 10,000 multi-family units, over 400,000 square feet of commercial and retail space, over 1,800 storage units, and over 37,000 acres of farmland.

The firm's new fund will leverage Avenue Living's successful track record in Canada and employ a countercyclical investment strategy to acquire multi-family properties throughout the U.S.

David Smith, Avenue Living Asset Management's Chief Operating Officer and the Chief Executive Officer for Avenue Living U.S. Real Estate Trust, says the focus will be to invest in secondary markets with strong, balanced economies that are expected to grow while insulated from the economic headwinds in the U.S.

"We employ a research and data-driven process to support our investment direction," says Smith, "and there are strong fundamentals to support investment in B and C class multi-family assets in the U.S. – in select markets where there are positive socio-demographic trends happening. We are working with a host of research partners to assist in our decision making, including KPMG's U.S. healthcare advisory team to ensure we focus on target markets with sound policies to better recover from the current pandemic. We are also monitoring multi-family performance closely and August's results have again illustrated the resiliency of B and C class rental rates during periodic downcycles."

"We believe there will be solid population and job growth in some of the interior markets that have very balanced economies. Also, based on our review, there are opportunities to invest in B and C class multi-family assets where we can leverage our platform to manufacture yield, benefit from strong market fundamentals and have the potential to achieve attractive returns on a risk-adjusted basis," explains Smith.

Avenue Living has established its first U.S. office in Houston, Texas and completed its first raise of capital for the Avenue Living U.S. Real Estate Trust in Q2 2020. The U.S. team is on the road building relationships, sourcing investment opportunities, and has been walking properties in target U.S. markets in the last year, amidst having slight modifications to the travel schedule with COVID-19 restrictions.

Avenue Living also consistently remains invested in understanding and researching the economic circumstances within the new U.S. market, including the pending global pandemic. The company continues to embrace the knowledge and research from its internal experts within the company's platform.

“We are excited to close on our first acquisition this month and continue to work through our seed portfolio of assets under contract to cement our presence in the U.S. Our strategy remains consistent to how we’ve done everything else. Our management team has invested personally in our new U.S. strategy to close on our initial transactions and prove our investment thesis before we raise capital from other investors. Now we are working towards a much larger equity raise,” says Smith.

Avenue Living would like to be in the 4,000 to 5,000 residential unit range by the end of 2021, with a projected goal of acquiring approximately 2,000 units in 2020 and another 2,000 to 3,000 units the following year, added Smith.

Brad Wall, former Premier of Saskatchewan and Special Advisor for the Avenue Living Core Trust, says the expansion into the U.S. market makes a lot of sense for the company.

“You have many states in the U.S., in the Midwest and in the western part of the country, who share comparable demographics and economies with Saskatchewan and Alberta. With those similarities, we believe the Avenue Living model is transferrable and can work there as well,” says Wall. “The opportunities are there.”

“It is wise to identify market diversification opportunities. It is wiser still to identify those opportunities where the model is likely to have the best resonance – the model that Avenue Living has been using in Alberta and Saskatchewan. The team has looked at the North American map and quite rightly identified U.S. regions that are similar to Alberta and Saskatchewan in terms of demographics, and in terms of what circumstances effect the economy. It’s a good business plan,” added Wall.

Avenue Living’s investment strategy for the U.S. Real Estate Trust will leverage its proven track record developed in Canada for over 15 years. Avenue Living will employ a data-driven, top-down analytical approach to identify U.S. markets and properties that provide a high standard of affordable living in balanced economies.