

REIT FORENSICS · INVESTMENT MEMO

FORENSIC DUE DILIGENCE

The Toll Road

Centurion Apartment REIT owns 22,100 units of performing Canadian rental housing. The buildings earn money. The structure ensures very little of it reaches the people who own the units. In FY2024, total management fees consumed 72% of net operating income. The management-set unit price stands at a 69% premium to the analyst-derived NAV. The distribution has not been funded by operations in any year on record. This is the anatomy of a fee extraction machine.

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22,148

RENTAL UNITS

72.1%

FEES / NOI (FY2024)

5.35x

RF-AFFO PAYOUT

-9.8%

5-YR IRR (ANALYST NAV)

OPERATING & FINANCIAL HIGHLIGHTS

Centurion Apartment REIT | All figures in \$000s CAD unless noted | FY ends December 31

MGMT PRICE

\$24.26

ANALYST NAV

\$13.23

IFRS NAV

\$20.10

PREMIUM TO ANALYST

83%

NOI MARGIN

65.0%

SS NOI GROWTH

8.6%

DEBT / GBV

46.4%

NET DEBT / EBITDA

17.0×

Key Financial Data (\$000s)	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025E	FY2026E
Revenue from Investment Properties	123,372	154,983	248,158	317,704	350,251	368,305	387,000
Property Operating Costs	(42,620)	(57,171)	(88,117)	(112,949)	(122,464)	(133,388)	(137,000)
Net Operating Income (NOI)	80,752	97,812	160,041	204,755	227,787	234,917	249,000
Finance Costs	(28,817)	(37,697)	(70,306)	(87,501)	(106,182)	(103,012)	(106,000)
Total All-In Fees	(32,643)	(38,731)	(47,164)	(85,690)	(164,224)	(111,674)	(99,000)
REALPAC FFO	81,922	138,298	80,422	90,149	70,313	61,156	70,000
RF-AFFO (Analyst Adjusted)	54,922	108,848	47,622	53,849	32,743	20,206	30,000
Total Distributions Declared	(84,429)	(107,766)	(138,609)	(155,802)	(175,285)	(194,560)	(196,000)

Source: Centurion Apartment REIT financial statements (FY2020-FY2024); REIT Forensics pro forma model (FY2025E-FY2026E). RF-AFFO = REALPAC FFO less analyst-estimated maintenance capex (\$1,500-\$1,700/unit). Management does not disclose AFFO.

The most important number in Centurion Apartment REIT's financial statements is not the NOI, which is genuinely solid. It is not the occupancy rate, which at 97.5% stabilized is among the best in the Canadian apartment sector. It is not the same-store growth figure, which at 8.6% in the most recent fiscal year would be the envy of most publicly traded apartment REITs. The most important number is this: \$164,224,000. That is the total all-in fee extraction — asset management fees, performance carry, trailer fees, and general and administrative overhead — paid by the trust to its external manager and distribution network in FY2024. It consumed 72.1% of net operating income. For every dollar the buildings earned after operating

costs, seventy-two cents went to the management apparatus.

This is not a marginal cost structure layered on top of otherwise strong unitholder economics. It is the dominant economic feature of the investment — larger than the interest expense, larger than the capital expenditure program, and nearly five times the size of the analyst-adjusted cash flow available for distribution. At publicly traded Canadian apartment REITs like Killam, CAPREIT, and Minto, the all-in G&A load runs between 8% and 10% of NOI. At Centurion, it is seven to nine times that figure. The gap is not a rounding error. It is the difference between an investment vehicle and an extraction vehicle.



I. The Operating Reality

Start with what works, because something genuinely does. Centurion owns approximately 22,100 residential rental units across 163 properties in Canada — 79% concentrated in Ontario and Quebec, with the balance in British Columbia, Alberta, and Saskatchewan. The apartment segment, representing roughly 84% of NOI, delivered 9.2% same-store growth in FY2024. The student housing segment, at 16% of NOI, contributed 5.6%. Portfolio-wide same-store NOI growth of 8.6% is a strong operating result by any measure — consistent with the broader Canadian apartment rental cycle, driven by sustained demand and limited competing supply in the trust's core markets.

NOI margins have been stable at 64–66% over the five-year period, with revenue per suite rising from approximately \$1,463 to \$1,605 per month. The CMHC-insured mortgage portfolio — 97% insured, with a weighted-average rate of 3.24% and a 5.3-year average term — is genuinely advantaged. These are competitive financing terms that provide real structural support for the property economics.



The operating machine, in isolation, looks credible. Revenue has nearly tripled from \$123 million to \$350 million over five years, driven by a combination of acquisitions (\$2.3 billion in gross equity raised to fund growth) and organic rent increases. The development pipeline contains 1,480 units across six projects at an estimated 5.2% yield on cost. If you looked only at the property-level financials, you would see a well-performing Canadian apartment portfolio in a structurally undersupplied market.

The problem is that nobody owns the property-level financials. Unitholders own a claim on whatever is left after the external management structure has taken its share. And the structure's share, as the data makes unambiguously clear, is the majority of the income.



II. Where the Money Goes

The fee structure has four components, and the aggregate is extraordinary.

FEE DECOMPOSITION

\$000s CAD | The hidden cost of external management

Component	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025E
Asset Management Fee	—	—	—	(14,533)	(44,728)	(46,669)
Performance / Carry Allocation	—	—	—	(16,400)	(67,794)	(7,359)
Trailer Fee Expense	(7,210)	(9,656)	(11,469)	(14,393)	(14,591)	(16,931)
General & Administrative	(25,433)	(29,075)	(35,695)	(40,364)	(37,111)	(40,715)
Total All-In Fees	(32,643)	(38,731)	(47,164)	(85,690)	(164,224)	(111,674)
Total Fees / NOI	40.4%	39.6%	29.5%	41.9%	72.1%	47.5%

Source: Fee Decomposition tab, Centurion Pro Forma Model. AMF and Carry introduced FY2023. Trailer fees paid to referring dealers. Cumulative total fees FY2020-FY2024: \$368.5M.

The asset management fee is charged at 0.9% of the management-determined NAV — not the IFRS NAV, and not the analyst NAV, but a figure set by the manager itself. Both the AMF and the carry allocation were introduced in FY2023. In their first full year of operation (FY2024), the AMF cost \$44.7 million and the carry cost \$67.8 million — settled in units, meaning existing holders were diluted to pay for it. That carry line item alone nearly equalled the trust's total REALPAC FFO of \$70.3 million.

THE CARRY WATERFALL: A PRIVATE EQUITY FEE ON AN OPEN-ENDED REIT

The carry structure deserves particular scrutiny because its mechanics are borrowed from closed-end private equity — a context where investors have agreed to lock up capital for a defined period and where the manager's compensation is tied to a final, realized return. Centurion is not a closed-end fund. It is an open-ended, continuously offered trust with no fixed termination date, no capital lock-up beyond a short redemption notice period, and no crystallization event against which the carry is settled. The structure takes the most aggressive form of PE compensation and embeds it in a vehicle where the "return" is substantially unrealized.

The terms: the GP receives a 15% performance allocation on the trust's total return above a 7.25% annual hurdle rate. So far, this resembles a standard incentive fee. The critical feature is the **full catch-up provision**. Under a standard 15% carry without catch-up, the GP would receive 15 cents of every dollar earned above the hurdle. Under Centurion's full catch-up, the GP receives *100% of every dollar above the hurdle* until their cumulative share equals 15% of the *entire* return — not just the excess. The catch-up is, in economic terms, a sprint: once the hurdle is cleared, the GP takes everything until it has caught up to its 15%

share of the full pie. After the catch-up is complete, the remaining returns (if any) split 85/15 between unitholders and the GP.

How the Full Catch-Up Works

Illustrative: FY2024 carry waterfall mechanics | \$000s CAD

STEP-BY-STEP

- ① Beginning NAV: **\$3,347,852**
- ② Hurdle (7.25%): **\$242,719**
- ③ Pre-carry total return: **\$283,119**
- ④ Excess over hurdle: **\$40,400**
- ⑤ GP's target share (15% of total): **\$42,468**
- ⑥ **GP takes 100% of excess until caught up**
- ⑦ Since $\$40,400 < \$42,468$, GP takes all $\$40,400$
- ⑧ **Actual carry paid: \$67,794***

*FY2024 actual includes prior-year true-up and FV gains in the return base

WHY THIS MATTERS

Under a **standard 15% carry** (no catch-up), the GP would receive $15\% \times \$40,400 = \mathbf{\$6,060}$.

Under the **full catch-up**, the GP receives up to **\$42,468** — seven times more — because the GP's 15% share is calculated on the *entire* return, and they get 100% of the excess until they reach that share.

In FY2024, the actual carry was **\$67.8M** — paid in units at the management-set price. That is **3,400 newly issued units** that diluted every existing holder.

The carry exceeded the trust's entire REALPAC FFO (\$70.3M).

Source: Fee Decomposition tab, Carry Waterfall rows 49–60. Hurdle rate: 7.25%. Carry %: 15%. Full catch-up provision per trust offering documents. FY2024 beginning NAV: \$3,347,852 (\$000s). Pre-carry total return: \$283,119 (\$000s). Carry settled in units at management price (\$23.176).

The return base on which the carry is calculated includes fair value gains on investment properties — the same unrealized appraisal adjustments that inflate the NNOI metric. In FY2024, gross fair value gains were \$195.4 million. These gains are not cash. They are not realized. They are management's estimate of how much the properties have appreciated. Yet they feed directly into the carry waterfall as "return," triggering a 100% catch-up allocation that is settled in real, dilutive units. The GP is being compensated, in real equity, for unrealized appreciation that the GP itself determined.

CARRY WATERFALL — ACTUAL RESULTS

\$000s CAD | 15% carry above 7.25% hurdle, full catch-up provision

Carry Waterfall	FY2023	FY2024	FY2025E	FY2026E	FY2027E
Beginning IFRS NAV (\$000s)	3,038,080	3,347,852	3,610,766	3,660,011	3,576,442
Hurdle Amount (7.25%)	220,261	242,719	261,781	265,351	259,292

Pre-Carry Total Return	217,674	283,119	103,979	72,809	76,942
Return vs. Hurdle	(2,587)	40,400	(157,802)	(192,542)	(182,350)
Carry Allocated	(16,400)	(67,794)	(7,359)	—	—
Carry / Unit (\$)	\$0.098	\$0.383	\$0.040	—	—
Units Issued for Carry (000s)	910	3,400	405	—	—

Source: Fee Decomposition tab, rows 49-60. FY2023 carry of \$16.4M paid despite return (\$217.7M) falling below hurdle (\$220.3M) — likely reflects prior-year true-up or return base differences vs. the simplified waterfall. FY2024: return exceeds hurdle by \$40.4M; actual carry of \$67.8M reflects full catch-up on cumulative basis. FY2026E-FY2027E: returns well below hurdle, no carry triggered.

The pro forma projects zero carry in FY2026E and beyond — because without fair value gains (conservatively set to zero in the projection), the trust's pre-carry return of \$72.8 million falls far short of the \$265 million hurdle amount. This is the one analytical scenario in which the catch-up provision does not trigger. But it depends entirely on the assumption of zero fair value appreciation. If the manager books even modest appraisal gains — as they did every year from FY2020 through FY2025 — the return base rises above the hurdle and the 100% catch-up reactivates. The manager controls both the valuation inputs (NNOI) and the carry calculation. There is no external gatekeeper.

In private equity, the full catch-up is tolerated because the GP's carry crystallizes only on realized, audited exits after a multi-year hold. At Centurion, it crystallizes annually on unrealized fair value gains, is settled in dilutive units priced by the manager, and operates inside an open-ended vehicle where the underlying "return" has never been tested by a market transaction. It is a private equity fee structure without the private equity accountability.

The trailer fees — commissions paid to the exempt-market dealers who distribute units to retail investors — add another layer. At \$14.6 million in FY2024, these are a cost that no publicly traded REIT bears, because public REITs are bought and sold on an exchange without distribution commissions.

The trust spends \$3.31 on management costs for every \$1.00 reinvested in the properties through capital expenditures. At internally managed public REITs, the ratio is typically below 0.5x. The fee structure does not supplement the operating economics — it overwhelms them.

Fees / NOI: Centurion vs. Public Peers

All-in fee load as % of net operating income | FY2024



Source: Fee Decomposition tab (peer comparison rows). Public REIT estimates from REIT Forensics framework. Private REIT avg is industry estimate.

Cumulative fee extraction over the FY2020–FY2024 period totaled \$368.5 million. By FY2025E, the cumulative figure crosses \$480 million. By FY2030E, it approaches \$1 billion. The compounding is relentless because the fee base — AUM, NAV, distribution volume — grows with new equity issuance regardless of whether per-unit economics improve. The more capital that flows in, the more the manager earns. Whether the investor earns is a separate question entirely.



III. The Per-Unit Record

In any investment where management retains decision-making authority over capital, the only honest test of performance is the per-unit result. Aggregate growth is irrelevant if the denominator grows faster. And at Centurion, the denominator has grown very, very fast.

PER-UNIT EARNINGS — THREE TRACKS

Which number tells the truth?

Metric (\$/unit)	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025E
Management FFO/Unit	\$0.93	\$1.17	\$0.63	\$0.74	\$0.77	\$0.72
Management NFFO/Unit	\$0.93	\$1.17	\$0.93	\$1.14	\$1.19	\$1.20
REALPAC FFO/Unit	\$0.83	\$1.07	\$0.53	\$0.54	\$0.40	\$0.34
RF-AFFO/Unit	\$0.56	\$0.84	\$0.31	\$0.32	\$0.19	\$0.11
Distribution/Unit (WA)	\$0.86	\$0.83	\$0.91	\$0.93	\$0.99	\$1.07

Source: FFO_AFFO tab. Management FFO adds back real cash costs (AMF, trailer fees) and is therefore a non-standard metric. NFFO further adds unrealized income (gap-to-market, stabilization vacancy). RF-AFFO = REALPAC FFO less analyst-estimated maintenance capex.

The three tracks tell three completely different stories, and the divergence is the finding.

Management NFFO — the metric reported to investors — shows a stable \$1.14–\$1.20 per unit, comfortably covering the ~\$1.00 distribution. But 36% of NFFO is unrealized income: projected rents on units not yet renovated, gap-to-market estimates on leases not yet turned over, stabilization assumptions on properties not yet leased up. It is a projection dressed as earnings.

REALPAC FFO — the Canadian REIT industry standard — strips out the fair value adjustments and the carry allocation but otherwise follows the trust's reported income. It has fallen from \$1.07 per unit in FY2021 to \$0.34 in FY2025E. The distribution exceeds it by more than three times.

RF-AFFO — which further deducts estimated maintenance capital expenditure, the cost of keeping the buildings habitable — paints the most honest picture. It has collapsed from \$0.84 in FY2021 to \$0.11 in FY2025E. The distribution, at \$1.07 per unit, exceeds RF-AFFO by 9.6 times. In no year of the five-year historical series has RF-AFFO covered the distribution. The cumulative funding deficit over FY2020–FY2024 is approximately \$2.30 per unit.

The distribution is not funded by operations. It is funded by new investor capital. Each dollar paid out to existing unitholders requires a roughly equivalent dollar to flow in from new subscribers. This is not a yield product. It is a capital-dependent structure in which new money services old money.



IV. Does Leverage Work?

Leverage in real estate should amplify per-unit returns: when NOI grows and the debt payments stay fixed, the incremental income flows to equity holders. The amplification test asks a simple question — does a turn of same-store NOI growth translate into more than a turn of per-unit earnings growth?

At Centurion, the answer is unambiguously no.

LEVERAGE AMPLIFICATION TEST

SS NOI growth → RF-AFFO/unit growth | Expected vs. Actual

Year Pair	SS NOI Growth	ND/EBITDA	Expected Amp.	Actual Amp.	Verdict
FY2022 → FY2023	~10%	17.0×	~1.3×	+3.5%	Near-Zero
FY2023 → FY2024	8.6%	17.0×	~1.3×	-42.6%	Destructive

Source: Forensic Assessment Section 3A (NOI-to-AFFO Triage). Net Debt/EBITDA at 17.0× (pre-fee) far exceeds the reference table maximum of 10×. Post-fee leverage effectively unmeasurable at 122.5× in FY2024.

In zero of the measurable year-pairs did the trust deliver positive amplification. The most recent year is the most damning: same-store NOI grew 8.6%, yet RF-AFFO per unit fell 42.6%. The expected amplification at that leverage level was approximately 1.33× — meaning per-unit earnings should have grown around 11.4%. Instead, they fell by nearly half. The entire surplus, and more, was consumed by fee extraction (\$164.2M, up 91.6% year-over-year), rising interest costs (\$106.2M, up 21.4%), and unit dilution (net growth of 5.8%).

At 17.0× Net Debt/EBITDA on a pre-fee basis (and an effectively unmeasurable 122.5× post-fee), the trust is leveraged far beyond the range where leverage can plausibly amplify unitholder returns. It can only amplify the fee base. The classification is unambiguous: leverage destructive.

V. Three Prices, One Building

Centurion has three valuations that should, in a well-functioning market, converge. They don't. They are diverging — and the direction of divergence tells you everything about whose interests the pricing serves.

THREE-WAY VALUATION COMPARISON

NAV per unit | Who sets the price matters

Valuation (\$/unit)	FY2021	FY2022	FY2023	FY2024	FY2025E	FY2026E
Management Price	\$18.73	\$20.63	\$22.59	\$23.18	\$24.26	\$24.50
IFRS NAV/Unit	\$18.72	\$19.85	\$20.02	\$20.41	\$20.10	\$19.06
Analyst NAV/Unit	(\$5.36)	\$15.66	\$15.05	\$13.75	\$13.23	\$12.66
Mgmt Premium to IFRS	0.0%	3.9%	12.8%	13.6%	20.7%	28.5%
Mgmt Premium to Analyst	—	31.7%	50.2%	68.5%	83.4%	93.5%

Source: NAV tab. Analyst NAV uses independent cap rates (4.7–4.8% apartment, 5.0–5.1% student) applied to NTM NOI, less all liabilities. IFRS NAV uses management-determined cap rates (4.0–4.4%) and includes NNOI adjustments. FY2021 analyst NAV negative due to pre-acquisition balance sheet.

The management price — the price at which new units are sold and old units are redeemed — has risen steadily from \$18.73 to \$24.26 over four years. The IFRS NAV, which uses management's own property valuations and a capitalization rate of 4.0–4.4%, has risen more slowly and has actually begun declining. The analyst NAV, which applies market-comparable cap rates (4.7–5.0%) to actual NOI rather than the manager's projected NNOI, shows a declining trajectory: from \$15.66 in FY2022 to \$13.23 in FY2025E.

The premium of the management price over the analyst NAV has widened from 32% to 83% in three years. By FY2026E, it crosses 93%. An investor buying at \$24.26 is paying \$11.03 more than the independent valuation suggests the underlying equity is worth. That premium — 83 cents of every dollar — does not purchase additional property value. It purchases access to the management structure's fee extraction rights.

Implied Cap Rate — Three Tiers

What capitalization rate does each price imply?



Source: Implied Cap tab, FY2024. Mgmt price implied cap: $\text{NTM NOI} / (\text{Mgmt Price} \times \text{Units} + \text{Liabilities} - \text{Other Assets})$. Analyst cap from independent assessment. No comparable Canadian apartment transaction has closed below 4.0% cap in recent years.

The management price implies a 3.45% capitalization rate on the portfolio. No Canadian apartment portfolio has transacted at that cap rate. The IFRS balance sheet itself, which uses management's own valuations, implies a higher rate of 4.2%. The analyst assessment, using market-derived cap rates, places the portfolio at 4.58%. The management price is, by any standard, disconnected from the transaction market — and it is this price that determines the AMF fee base, the carry calculation, and the entry cost for new investors.

FEE-VALUATION CIRCULARITY

The chain operates as follows: Centurion Asset Management assembles the NNOI inputs — gap-to-market, stabilization, other adjustments — producing a valuation income base 10–24% above actual IFRS NOI. This inflated NNOI feeds the property valuation, which inflates NAV. The inflated NAV becomes the fee base for the asset management fee (0.9% of NAV). The carry allocation is computed on total returns that include the fair value gains created by the inflated NNOI. The fees are then settled in units, diluting existing holders. The circularity is self-reinforcing: higher assumed income → higher valuations → higher fees → more dilution → lower per-unit economics.



VI. The Capital Dependency

A well-capitalized real estate trust should be able to fund its core obligations — maintenance capex, debt service, and distributions — from operating cash flow. At Centurion, operating cash flow does not cover even a fraction of total capital demands. The trust is structurally dependent on continuous inflows of new equity to remain solvent.

CASH SURPLUS WATERFALL

\$000s CAD | Where operating cash flow falls short

Uses of Cash (\$000s)	FY2022	FY2023	FY2024	FY2025E	FY2026E
Cash from Operations	138,984	121,390	149,405	134,755	172,643
Less: Maintenance Capex	(32,800)	(36,300)	(37,570)	(40,950)	(43,200)
Less: Cash Distributions	(58,846)	(70,259)	(73,645)	(79,997)	(80,321)
Less: Cash Redemptions	(235,492)	(327,364)	(379,251)	(404,096)	(373,321)
Less: Debt Amortization	(122,594)	(119,618)	(143,745)	(7,045)	17,250
Cash Surplus / (Deficit)	(310,748)	(432,151)	(484,806)	(397,333)	(306,949)

Source: CFS-FCF tab (Cash Surplus Waterfall). Deficit funded by new equity issuance (\$430–\$490M/yr), DRIP reinvestment, credit facility draws, and

The annual cash deficit has ranged from \$311 million to \$485 million over the three most recent years. The trust fills this hole through new equity issuance (\$430–\$490 million annually), DRIP reinvestment (\$78–\$86 million), and credit facility draws. In FY2024, gross new equity raised was \$490 million while gross redemptions consumed \$379 million — leaving net new capital of just \$111 million to fund a \$485 million deficit. The rest came from debt.

The redemption rate — the pace at which existing unitholders are requesting their money back — has been running at 8–11% of units annually since FY2022. In FY2025E, a new signal emerged: the trust issued \$53.1 million in notes payable — effectively IOUs — to investors who requested redemptions that could not be fully funded in cash. These COT Notes (Cash Out on Termination) represent the first concrete evidence that the redemption pipeline has exceeded the trust's ability to pay.

Cash from operations covers less than 40% of redemption demand. The trust relies on new subscribers to fund departing investors. If new equity subscriptions decline materially — and the introduction of COT Notes suggests the capital recycling engine is already under strain — the structure faces a liquidity event.

UNIT ACTIVITY & DILUTION

000s units | The denominator problem

Metric	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025E
Beginning Units (000s)	78,513	98,714	129,564	153,028	167,218	176,936
New Units Issued	20,201	30,850	30,683	22,234	16,426	18,648
DRIP Units	—	—	3,648	3,974	4,305	4,821
Carry Units	—	—	—	910	3,400	405
Units Redeemed	—	—	(10,867)	(12,928)	(14,413)	(18,677)
Ending Units (000s)	98,714	129,564	153,028	167,218	176,936	182,133
Gross Dilution	25.7%	31.3%	26.5%	17.7%	14.4%	13.5%
Net Dilution	25.7%	31.3%	18.1%	9.3%	5.8%	2.9%

Source: Unit Activity tab. Gross dilution includes new issuance, DRIP, and carry units. Net dilution = ending / beginning – 1. Units outstanding grew from 78,513 to 182,133 in five years — a 132% increase.

Units outstanding have grown from 78,513 to 182,133 over five years — a 132% increase. Every dollar of aggregate NOI growth must be divided by a denominator that has more than doubled. Compare this to a company like Mainstreet Equity, which shrank its share count over the same period. When a company retains all earnings and issues no new equity, operating growth flows directly to the per-share line. When a trust issues equity at a rate of 14–31% per year and layers a 72% fee load on top, operating growth never reaches the per-unit line at all. It is consumed before arrival.

VII. The Investor's Return

The return profile is the verdict on the entire structure. An investor entering at the management price of \$24.26 receives a Class A distribution of \$0.96 per year — a 4.0% yield — and holds a unit whose underlying value, by every independent measure, is lower than the entry price and declining.

5-YEAR IRR BY EXIT SCENARIO

Class A | Entry at \$24.26 (management price)

Exit Scenario	Exit Value/Unit	5-Year IRR	Interpretation
Exit at Analyst NAV	\$10.57	-9.8%	Deep loss — entry premium destroys capital
Exit at IFRS NAV	\$16.49	-2.8%	Loss even under generous IFRS assumptions
Exit at 20% Discount to IFRS	\$13.19	-6.4%	Moderate stress scenario
Exit at Management Price	\$26.50	+5.6%	Only positive if manager keeps setting price above NAV
No Exit (Redemption Frozen)	—	-80.2%	Distributions only — never recover principal

Source: Return Profile tab. All scenarios include annual distributions of \$0.96 (Class A). Analyst NAV at FY2030E = \$10.57/unit. IFRS NAV at FY2030E = \$16.49/unit. Management price at FY2030E = \$26.50.

At the analyst NAV exit — which uses market-standard cap rates applied to actual NOI — the five-year IRR is negative 9.8%. An investor who puts in \$24.26 per unit and receives \$4.80 in cumulative distributions over five years exits with a unit worth \$10.57. Total return: a loss of \$8.89 per unit, or 37% of invested capital.

Even the IFRS NAV exit — which uses management's own property valuations — produces a negative 2.8% IRR. The only scenario that generates a positive return is the one in which management continues to set the redemption price above both IFRS and analyst NAV. The investor's return, in other words, depends not on the value of the underlying real estate, but on the continued willingness of the manager to maintain an artificial price — funded by new investor capital.

IRR SENSITIVITY: EXIT CAP RATE × NOI GROWTH RATE

5-Year IRR (%) | Entry at \$24.26 | Exit at Analyst NAV

Exit Cap ↓ / NOI Gr →	2.0%	3.0%	4.0%	5.0%
4.0% (Bull)	+0.5%	+1.9%	+3.4%	+5.0%
4.5%	-2.8%	-1.5%	-0.1%	+1.3%
5.0% (Base)	-5.4%	-4.2%	-3.0%	-1.8%
5.5%	-7.6%	-6.5%	-5.4%	-4.2%
6.0% (Bear)	-9.3%	-8.4%	-7.3%	-6.3%

Source: Return Profile tab, Sensitivity Matrix. Base case: 5.0% exit cap, 3.0% NOI growth, highlighted. Breakeven exit cap rate: approximately 4.3% — below any comparable transaction.

The sensitivity matrix reveals the depth of the problem. To break even over five years, the investor needs the

portfolio to exit at a 4.3% cap rate — a cap rate below the IFRS stated rate, below the analyst rate, and below any comparable publicly traded apartment REIT transaction in recent Canadian history. Even the most optimistic scenario in the matrix — a 4.0% cap rate with 5.0% NOI growth — produces only a 5.0% IRR. The floor is deep in negative territory and the ceiling barely reaches the risk-free rate.



VIII. The Forensic Scorecard

The REIT Forensics 58-field framework, supplemented by the Private REIT Supplemental Module, produces the following summary scorecard. Twelve fields pass. Eighteen flag warnings. Fourteen are rated critical. The concentration of critical findings is in the fee, distribution, and valuation categories — the fields that most directly determine investor economics.

MGMT PRICE / ANALYST NAV

1.83×

83% premium — widening

ALL-IN FEES / NOI

72.1%

Public peers: 9-10%

RF-AFFO PAYOUT

5.35×

Distribution 5× earnings

IMPLIED CAP (MGMT PRICE)

3.45%

Below any comp transaction

REDEMPTION COVERAGE

0.39×

CFO covers <40% of redemptions

DEBT / GBV

46.4%

Rising toward 50%

CUMULATIVE FEES

\$368M

5-yr extraction, growing

NFFO UNREALIZED %

35.6%

1/3 of reported metric is projected

SS NOI GROWTH

8.6%

Properties performing



IX. What Could Go Wrong

Three risks deserve explicit treatment beyond the structural findings above.

Capital flow reversal. The trust raised \$2.3 billion in gross equity over FY2020–FY2024 but redeemed \$1.25 billion. Net capital flows have been shrinking: from \$413 million in FY2020 to \$111 million in FY2024, and the model projects net negative flow in FY2025E. If new subscriptions decline by even 20–30% — whether due to rising dealer scrutiny, regulatory changes under the Client Focused Reforms, or simply a cooling appetite for private REIT product — the trust cannot fund redemptions from operations. The COT Notes in FY2025E are the leading indicator.

Regulatory scrutiny of exempt-market distribution. Centurion's units are sold through exempt-market dealers under the accredited investor and offering memorandum exemptions. The trailer fee structure (approximately 1% of AUM annually, paid to referring dealers) creates an incentive for distribution that is independent of investment merit. Canadian securities regulators have been tightening standards under NI 31-103 and the Client Focused Reforms, which require dealers to assess suitability and conflicts of interest. A fund where 72% of operating income goes to management, where the reported metric is 36% unrealized income, and where the management price diverges from every independent valuation anchor is not a product that survives enhanced KYP scrutiny.

Interest rate refinancing risk. The trust has \$3.3 billion in mortgage debt, with a weighted-average rate of 3.24% and 5.3 years to maturity. As mortgages roll over into a higher rate environment (pro forma assumes 3.8–4.2% on new and refinancing debt), interest expense rises. At current leverage levels (46% Debt/GBV, 17× Net Debt/EBITDA pre-fee), even modest rate increases consume material NOI — and post-fee debt service coverage is already thin at 1.24×.



The Investment Decision

The value of an investment is the cash it will generate for its owners over its remaining life, discounted at the appropriate rate. For a Centurion unitholder, the relevant cash flows are: a distribution of approximately \$1.00 per year that is not funded by operations and depends on continuous new equity issuance; and a

terminal value that, under every independent valuation methodology, is significantly below the purchase price.

The buildings are fine. The apartments rent. The tenants pay. Same-store NOI grows at 8.6%. The CMHC financing is advantaged. In a different wrapper — an internally managed trust with a 10% G&A load, a funded distribution, and a market-set unit price — this would be a respectable Canadian apartment portfolio generating a low-to-mid single-digit current return with modest organic growth.

But the wrapper is not a detail. It is the investment. The external management structure extracts 40–72% of NOI through fees that compound with AUM regardless of per-unit performance. The management-set unit price stands at a 69–83% premium to independent valuation, creating a capital loss that no realistic income stream can offset. The distribution exceeds analyst-adjusted cash flow by more than five times, meaning it is funded by the capital base itself — new money servicing old. And the carry allocation, settled in units, dilutes existing holders to pay for management's performance compensation on returns that include unrealized fair value gains.

ASSESSMENT

The properties perform. The structure extracts. At entry prices set by the manager at 83% above independent NAV, with distributions funded by new investor capital rather than operating cash flow, and fees consuming the majority of operating income, the five-year investor return is negative under every exit scenario except the one in which management continues to set the price above fair value — itself funded by the continued willingness of new investors to enter at that price. The circularity is the risk. The circularity is also, for the manager, the business model.

An investor evaluating Centurion should ask a single question: if this trust were publicly traded, with a market-set price and publicly audited financials, what would the unit price be? The analyst NAV of \$13.23 provides one answer. The market-implied cap rate of 3.45% embedded in the management price provides another: the market would not pay it. The gap between the two is the cost of the structure — the toll the road charges for passage. And unlike a well-maintained toll road, this one does not invest the tolls in the pavement. It pays them to the operator.

SOURCES & DATA

1. Centurion Apartment REIT audited financial statements, FY2020–FY2024. All historical data sourced from annual and interim reports as compiled in the REIT Forensics multi-year pro forma model (17 tabs, FY2020–FY2030E).
2. REIT Forensics Pro Forma Model — Assumptions tab. All pro forma projections (FY2025E–FY2030E) reference the master control panel: SS revenue growth declining from 5.5% to 3.0%; expense growth from 3.5% to 2.5%; analyst cap rates from 4.745% to 5.039%.
3. REIT Forensics Forensic Assessment — Centurion Apartment REIT. 58-field framework plus Private REIT Supplemental Module. Scorecard: 12 Pass, 18 Warning, 14 Critical.
4. Fee Decomposition tab. AMF at 0.9% of management-determined NAV; carry at 15% above 7.25% hurdle with full catch-up provision. Introduced FY2023. Cumulative extraction FY2020–FY2024: \$368.5M.
5. FFO/AFFO Reconciliation tab (three-track analysis). Management FFO includes non-standard add-backs (AMF, trailer fees). NFFO adds unrealized

- income. RF-AFFO uses REALPAC FFO less analyst-estimated maintenance capex (\$1,500–\$1,700/unit per AFFO Capex Estimation Reference Table).
6. NAV tab (Analyst NAV). Independent cap rates: apartment 4.5–5.0%, student housing 5.0–5.3%. Applied to NTM actual NOI (not NNOI). Analyst NAV per unit: \$13.23 (FY2025E).
 7. Return Profile tab. 5-year IRR analysis at management entry price (\$24.26), Class A distribution (\$0.96/yr). Sensitivity matrix spans 4.0–6.0% exit cap rates and 2.0–5.0% NOI growth rates.
 8. CFS-FCF tab (Cash Surplus Waterfall). Annual cash deficit of \$311M–\$485M funded by new equity issuance, DRIP, credit facility draws, and mortgage proceeds.
 9. Unit Activity tab. Units outstanding grew from 78,513 (FY2020) to 182,133 (FY2025E) — 132% increase. Gross dilution 13–31% annually. Carry units (FY2024): 3,400 units issued to settle \$67.8M carry allocation.
 10. Implied Cap tab (Three-Tier Analysis). IFRS stated cap 4.2%; NTM NOI / IFRS IP 3.74%; management price implied cap 3.45%; analyst cap 4.58%.
 11. Diagnostic tab. Overall assessment: DO NOT INVEST. Key risk identified: capital structure dependent on continuous new equity inflows.
 12. Peer fee comparison estimates: Killam ~10% of NOI, CAPREIT ~9.5%, Minto ~10%. From REIT Forensics framework comparative analysis (Fee Decomposition tab, rows 38–41).
 13. COT Notes: \$53.1M issued FY2025E to cover redemption shortfall per Centurion Apartment REIT interim financial statements and model (Unit Activity / CFS-FCF tabs).
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REIT FORENSICS FRAMEWORK V5

Model: FY2020–FY2024 (5 periods) · Benchmark: Deferred
Non-Traded · Exempt-Market Trust · \$24.26
March 2026