

Arlington Street Investment's Strategic Process

Our Approach

The Investment and Development team at ASI believe that strategy matters. At ASI we are focused on both growth and value. We fundamentally look for opportunities to acquire assets that can be positioned for an increase in value through active development, redevelopment, repositioning and/or rezoning and land use.

Strategy One – Investment Filter and Buying Guidelines

ASI's fundamental investment filter is dictated by four expectations:

- Risk Mitigation – don't lose the original equity investment and/or expose it unnecessarily.
- Returns of high single-digits annually.
- Doubling the original equity investment within a 5 year period.
- The purchase of strategic assets that appreciate at higher rates than average real estate returns annually and over the lifetime of our investments.

Strategy Two – Value Added Approach and Market Position

ASI acquires specific assets in well researched target locations that allow us to execute on our value added approach and strategy. Our value added approach is to purchase our properties below replacement cost and then take them through the redevelopment and rezoning process which increases their intrinsic value while collecting above average annual yield income from the properties during the holding period.

We are Alberta focused. We purchase A locations with B, C or D class buildings on them that are directly in the path of growth and development in market and trade areas that are significantly under serviced.

Strategy Three – Asset Selection

Economics, politics and the volatility of the real estate market itself create both the opportunities and risk profile of each asset. For this reason our underwriting program is comprehensive. This includes full physical and regulatory assessments of each asset. In addition to the input of our own experience we incorporate:

- extensive competitive market studies
- cost analysis
- economic marketability studies and
- extensive financial modeling

This is to ensure not just the viability of each project but also ensures optimal performance in order to return the best yield possible on every investment dollar. This approach is also in line with our fundamental focus of limiting substantially all downside risk.

Strategy Four – Time Horizon

ASI looks for a return of capital, per project, typically within 2 to 5 years of the initial investment. Our goal is to complete full project build outs within 1 to 3 years. ASI will take on longer projects that have the potential to achieve optimal, risk-adjusted returns so long as they meet all of our existing investment criteria.

Strategy Five – Investment Size Matters

ASI is focused on repositioning and redevelopment projects in the investment range of \$25 million to \$150 million dollars. Smaller or larger projects are considered provided that they fit the parameters of ASI's consistent strategy.

Our business is focused on building relationships, strengthening partnerships, and enhancing value. Our business is client driven and our relationships are based on creating wealth. We align our interests with those of our investment partners and follow through on every single commitment.

SOAR: Supportive Objective Accountable Responsive

SOAR captures the balance within our organization — balancing freedom with responsibility, value with profit, and individuality with teamwork.

The ASI Business Model

Based on our proven experience and successes to date, ASI's strategy moving forward is to continue to execute and expand the model based on what we have achieved. The change being to incorporate larger buildings, greater capital, and add significantly higher bench strength to the management team as well as look for opportunities to develop.

Our model is built on the foundation of a value investing discipline and not cyclical investing trends. We limit all downside by purchasing well positioned assets with strong cash flow and upside potential. We implement strong management optimizing significant operating savings opportunities and strengthen cash flows while the market does what it has clearly demonstrated it will continue to do; provide dramatic real estate cycles and for us, significant exit opportunities.