

Killam Apartment REIT
Investor Presentation
May 2017



Cautionary Statement

This presentation may contain forward-looking statements with respect to Killam Apartment REIT and its operations, strategy, financial performance and condition. These statements generally can be identified by use of forward-looking words such as “may”, “will”, “expect”, “estimate”, “anticipate”, “intends”, “believe” or “continue” or the negative thereof or similar variations. The actual results and performance of Killam Apartment REIT discussed herein could differ materially from those expressed or implied by such statements. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Important factors that could cause actual results to differ materially from expectations include, among other things, general economic and market factors, competition, changes in government regulation and the factors described under “Risk Factors” in Killam' annual information form and other securities regulatory filings. The cautionary statements qualify all forward-looking statements attributable to Killam Apartment REIT and persons acting on its behalf. Unless otherwise stated, all forward-looking statements speak only as of the date to which this presentation refers, and the parties have no obligation to update such statements.

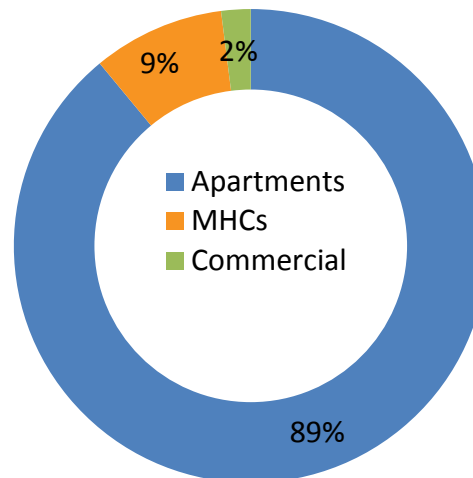


About Killam Apartment REIT

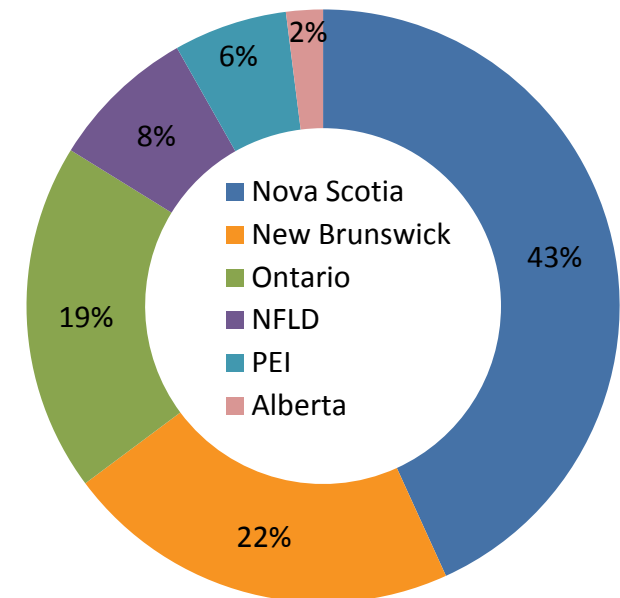
Killam Apartment REIT is a growth-oriented Canadian real estate investment trust. Killam owns, manages and develops multi-family residential properties in Atlantic Canada, Ontario and Alberta. Killam's portfolio includes \$2 billion in real estate assets, including 14,444 apartment units and 5,165 manufactured home community (MHC) sites.

| | |
|-------------------------|--------|
| Market cap ¹ | \$1.0B |
| Annual distribution | \$0.62 |
| Distribution yield | 4.9% |
| Avg. daily volume | 110K |

**Net Operating Income (NOI)
by Sector**



NOI By Province



1) Includes exchangeable units

Why Invest in Killam



- ✓ Clearly defined strategy – growth from same property portfolio, acquisitions and developments.
- ✓ High-quality portfolio with investment in newer properties.
- ✓ Growing funds from operations (FFO) & adjusted funds from operations (AFFO) per unit.
- ✓ Stable distributions with improving payout ratio.
- ✓ Strengthened balance sheet with increased flexibility.
- ✓ Interest saving opportunities on refinancings.
- ✓ Established development program with robust development pipeline.
- ✓ Positioned to benefit from economic growth in Atlantic Canada and population growth in Central Canada.

Clearly Defined Strategy

Killam's strategy is to maximize its value and long-term profitability by concentrating on three key areas of growth:

#1

Increasing earnings from its existing portfolio



#2

Expanding the portfolio and diversifying geographically through accretive acquisitions, with an emphasis on newer properties



#3

Developing high-quality properties in its core markets



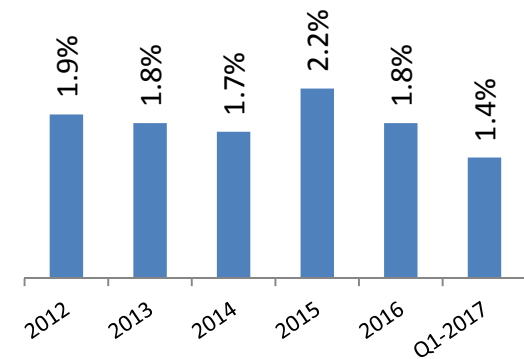
Clearly Defined Strategy – Existing Assets

#1) Increasing earnings from the existing portfolio.

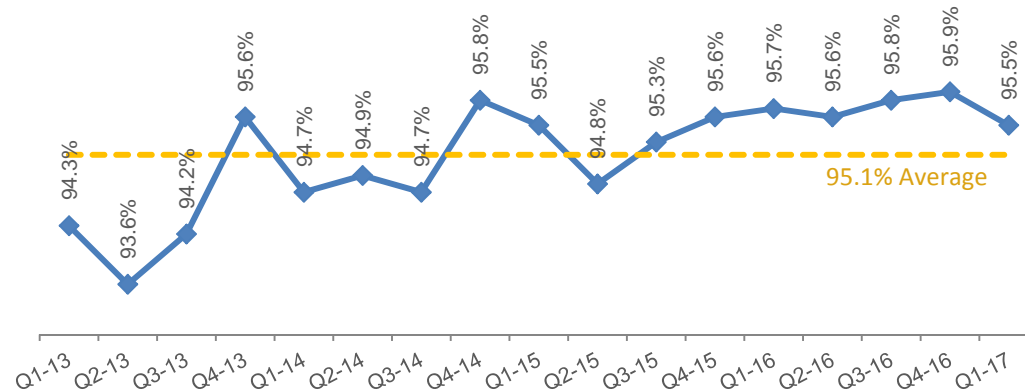
$$\begin{array}{c}
 \text{Revenue Growth} \\
 + \\
 \text{Expense} \\
 \text{Management} \\
 = \\
 \text{Increased Net} \\
 \text{Operating Income} \\
 \text{(NOI)}
 \end{array}$$

- High occupancy
- Growing rental rates
- Reduced incentives
- Capital upgrades
- Quality product & service
- 90% tenant satisfaction rating

Historic Same Property Revenue Growth



Apartment Quarterly Occupancy
 \$ occupancy as a % of gross potential rents ¹



1. This measures dollar occupancy achieved and is typically ~1% lower than occupancy on a unit count basis at the end of each quarter, but is better management information.

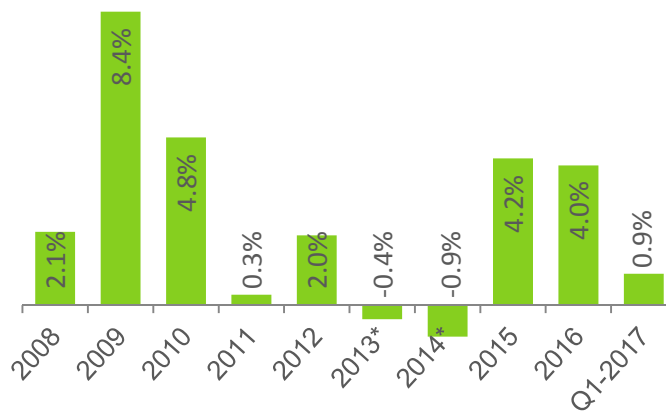
Clearly Defined Strategy – Existing Assets

#1) Increasing earnings from the existing portfolio.

$$\begin{array}{c}
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 + \\
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 = \\
 \text{Increased NOI}
 \end{array}$$

- Energy initiatives
- Water saving programs
- Maximizing economies of scale
- Employee training
- Investment in technology
- Tenant education

Same Property NOI Growth
2008-2017
Average Growth of 2.5%



* Record high natural gas prices in Atlantic Canada impacted NOI growth in 2013 & 2014.

2017 Target

1% - 3% NOI growth

Long-term Target

Average of 2%+
NOI growth

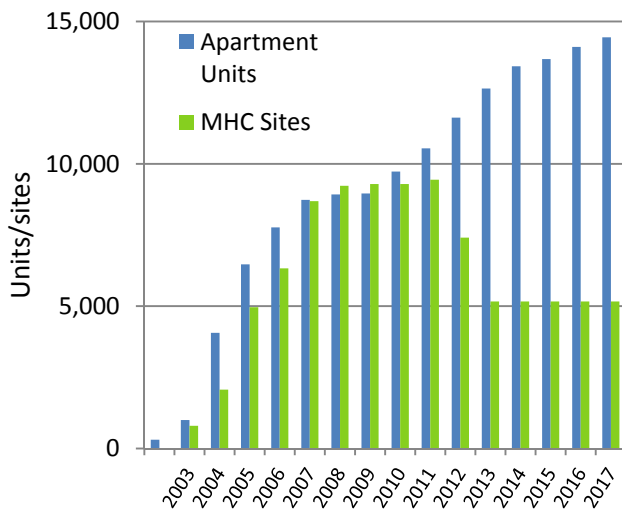
Killam has increased its same property NOI an average of 2.5% per year over the last 10 years.



Clearly Defined Strategy - Acquisitions

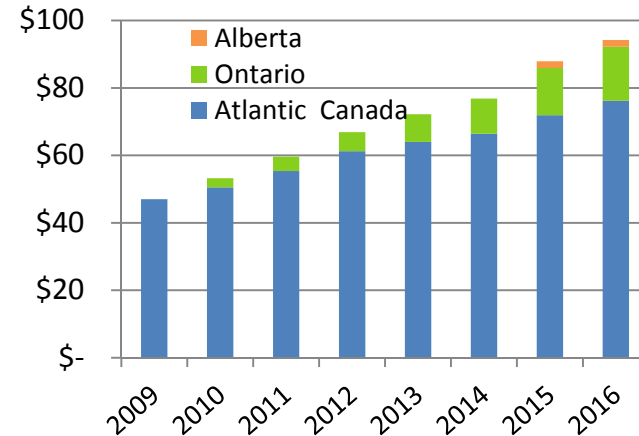
#2) Expanding the portfolio and diversifying geographically through accretive acquisitions, with an emphasis on newer properties.

Apartment Units & MHC Sites



Since its first acquisition in 2002, Killam's portfolio has grown annually through acquisitions. Killam is expanding its portfolio by acquiring centrally located buildings in urban markets, increasing its ownership in Ontario and Alberta, and adding to its established portfolio in Atlantic Canada.

Annual Apartment NOI
\$ millions



Killam's strong operating platform can support a larger and more geographically diverse portfolio. Increased investment in core markets outside Atlantic Canada will enhance Killam's diversification and exposure to urban centres in Canada that have higher population growth.



2017 Targets: A minimum of \$75M of acquisitions (with >75% outside Atlantic Canada) and 23% of NOI earned outside Atlantic Canada.

Long-term Target: >30% of NOI generated outside Atlantic Canada by 2020.

Clearly Defined Strategy - Developments

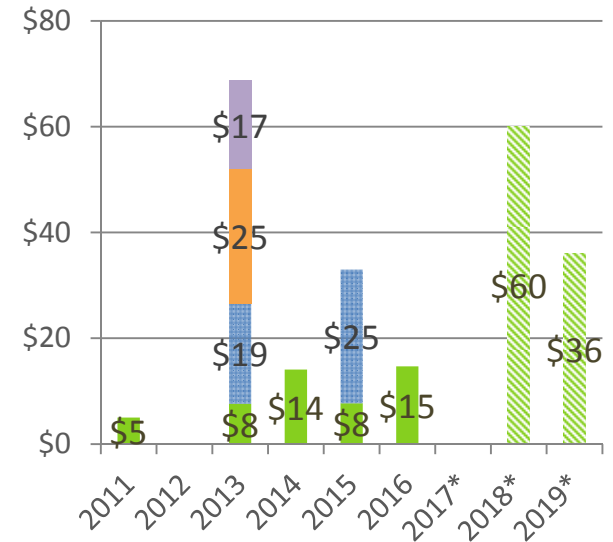
#3) Developing high-quality properties in its core markets.

Killam augments its external growth opportunities with developments. Killam has invested over \$130 million in developments since its first project was completed in 2011.

With an experienced team and a development pipeline of over 1,700 units, developments are an important component of Killam's growth.

Killam can develop to yields higher than those achievable through acquisition, contributing to net asset value (NAV) growth per unit.

Developments Completed Per Year
\$ millions



* forecast

2017 Target: To remain on schedule to have the Alexander and Saginaw developments completed in 2018.

Long-term Target: To add a minimum of \$20M of value creation from the development program by the end of 2020.

Clearly Defined Strategy - Developments

Over \$130 million of developments completed.



49 units - Charlottetown, PEI



63 units - Halifax, NS



101 units - Fredericton, NB



47 units - Charlottetown, PEI



71 units - St. John's, NL



102 units - St. John's, NL



122 units - Cambridge, ON



70 units - Halifax, NS

Clearly Defined Strategy - Developments

Over \$100 million of developments underway.



199 units* – Calgary, AB



93 units – Cambridge, ON



222 units* - Ottawa, ON



128 units* - Mississauga



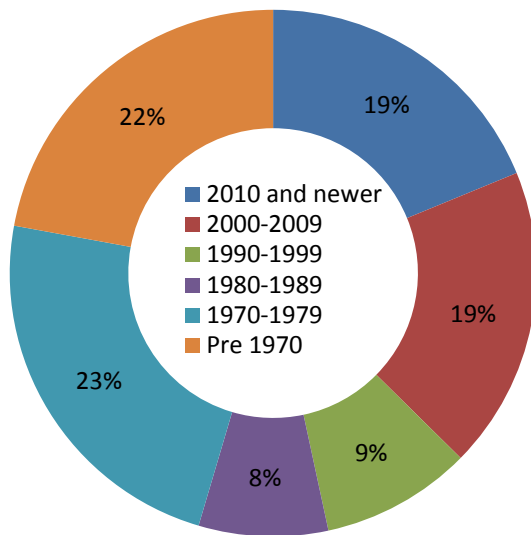
240 units* - Halifax, NS



*Killam has a 50% interest in these development projects. The unit count shown represents the full unit count of each property.

High-Quality Portfolio

Apartment NOI by Year of Construction

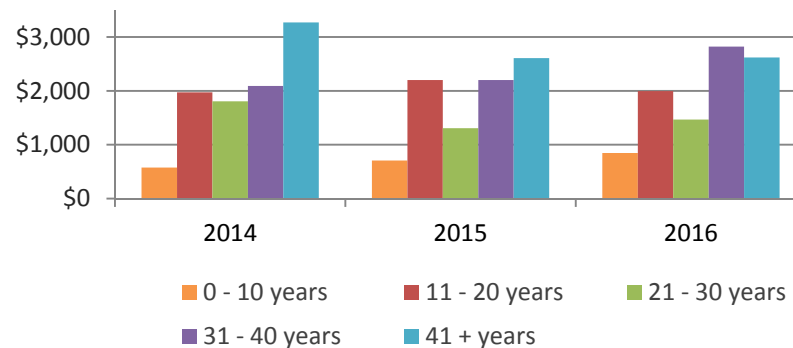


Killam has one of the newest apartment portfolios in Canada; 37% of Killam's apartment NOI comes from properties built in 2000 or later.

Management believes that increasing Killam's ownership in new, high-quality buildings will result in long-term demand for its properties, reduce annual capital requirements related to deferred maintenance, and transform Killam's portfolio into one of the highest quality portfolios in Canada.

Average Capital Spend Per Unit by Building Age

For the years ended Dec 31



The annual capital spend per unit is lower for newer properties. For example, Killam's average spend for properties 0 to 10 years old was \$850 per unit in 2016 compared to \$2,700 per unit for buildings over 40 years old.

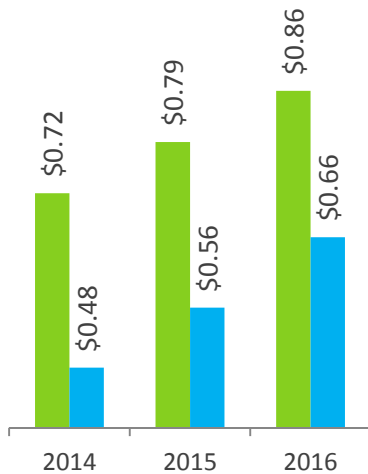
Overall, Killam's average capital spend was \$2,254 per apartment unit in 2016.

Growing Earnings & Improved Payout Ratio

FFO & AFFO Per Unit

For the years ended Dec 31

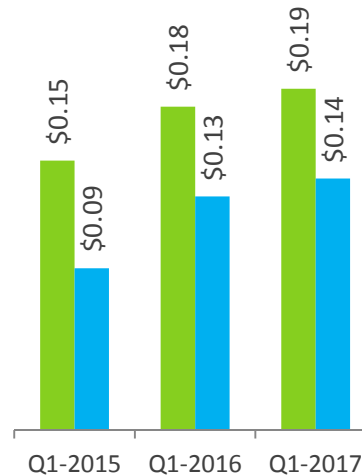
■ FFO ■ AFFO*



FFO & AFFO Per Unit

For the 3 months
ended Mar 31

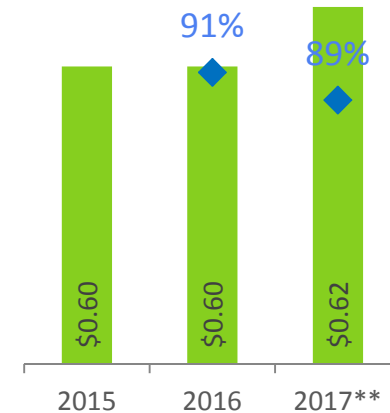
■ FFO ■ AFFO*



Dividend/Distribution & Payout Ratio

■ Dividend/Distribution

◆ AFFO* Payout Ratio



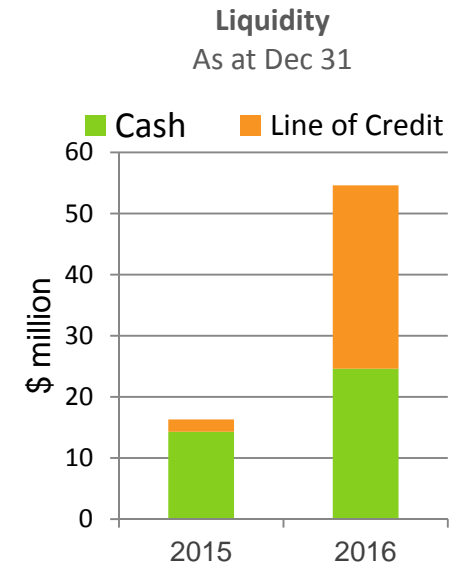
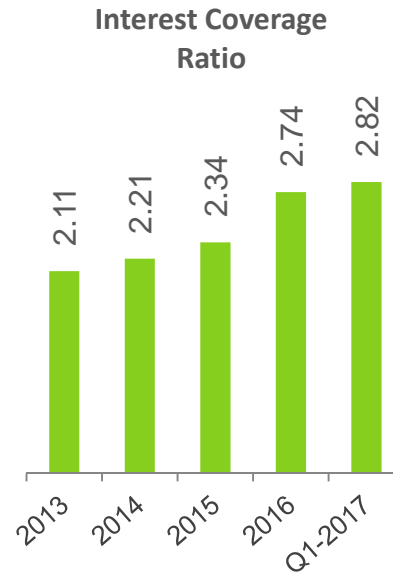
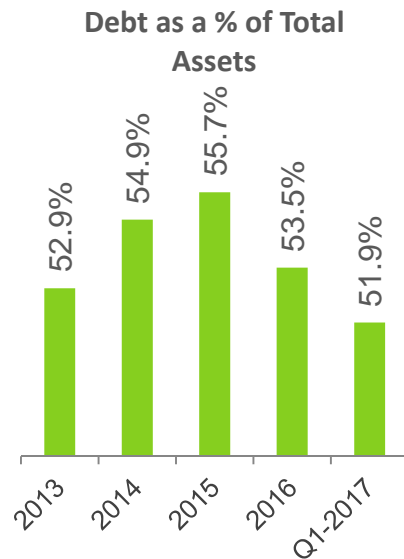
FFO and AFFO per unit growth has been attributable to same property NOI growth, interest expense savings, accretive acquisitions and developments.

** The 2017 adjusted funds from operations (AFFO) payout ratio represents the consensus estimate based on the current annual distribution of \$0.62. Killam's Board of Trustees approved a 3.3% distribution increase on February 13, 2017.



* AFFO calculation revised in Q1-2017 based on new REALpac white paper. Previous AFFO adjusted to reflect increased capital reserve.

Strengthened Balance Sheet with Increased Flexibility



Convertible Debenture Redemptions: Killam redeemed \$103 million of convertible debentures over the last year, using funds from two equity raises.

Credit Facility Expanded : Following the all cash acquisition of Garden Park Apartments on June 30, 2016, Killam established a new \$30M demand credit facility and increased its acquisition capacity to over \$100 million.

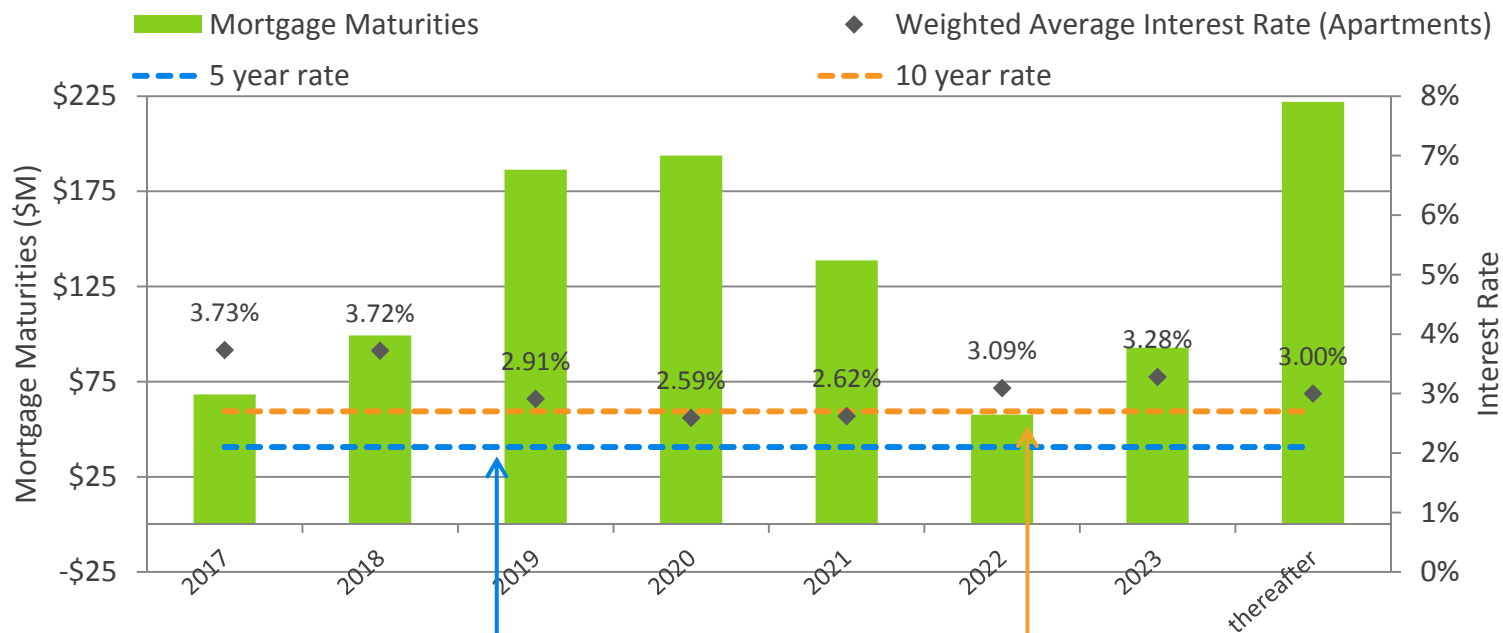
2017 Target: Further reduction of debt as a percentage of assets.

Long-term Targets: Debt as a percentage of assets of less than 50% by 2020, and an expanded acquisition line of credit of at least \$50 million.

Interest Expense Savings

Mortgage Maturities by Year

As at March 31, 2017



Current rate for 5-year CMHC insured debt is approximately 2.1%.

Current rate for 10-year CMHC insured debt is approximately 2.7%.

Robust Development Pipeline

Development Opportunities

| Property | City | Development Potential in Units | Status |
|---|-----------------|--------------------------------|--------------------------------|
| Developments Underway | | | |
| The Alexander - Phase 1* | Halifax, NS | 120 | Under construction |
| Saginaw Phase II | Cambridge, ON | 93 | Under construction |
| Gloucester City Centre* | Ottawa, ON | 111 | Under construction |
| Development Opportunities - 2017 | | | |
| Silver Spear* | Mississauga, ON | 64 | In design and approval process |
| Future Development Opportunities - 2018 and beyond | | | |
| Gloucester City Centre (Phase 2-4)* | Ottawa, ON | 309 | Future development |
| Topsail Road | St. John's, NL | 225 | Approved development agreement |
| Medical Arts (Spring Garden) | Halifax, NS | 200 | Future development |
| Grid 5 Land* | Calgary, AB | 199 | Future development |
| Cameron Heights | Edmonton, AB | 165 | Future development |
| Carlton Terrace | Halifax, NS | 104 | Approved development agreement |
| Block 4 | St. John's, NL | 80 | As of right |
| Carlton Houses | Halifax, NS | 70 | Future development |
| The Governor | Halifax, NS | 42 | As of right |
| Total Development Opportunities | | 1,782 | |

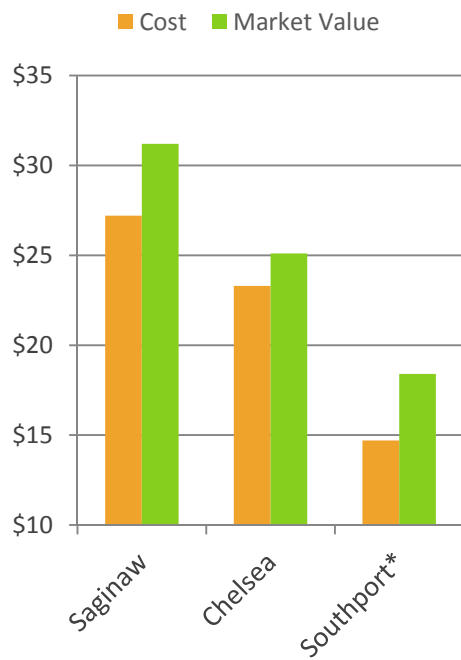
* Represents Killam's 50% interest in potential development units.



Killam is targeting yields of 5.0% - 6.0% on developments, approximately 75-150 bps higher than expected cap-rate value on completion, contributing to NAV per unit growth.

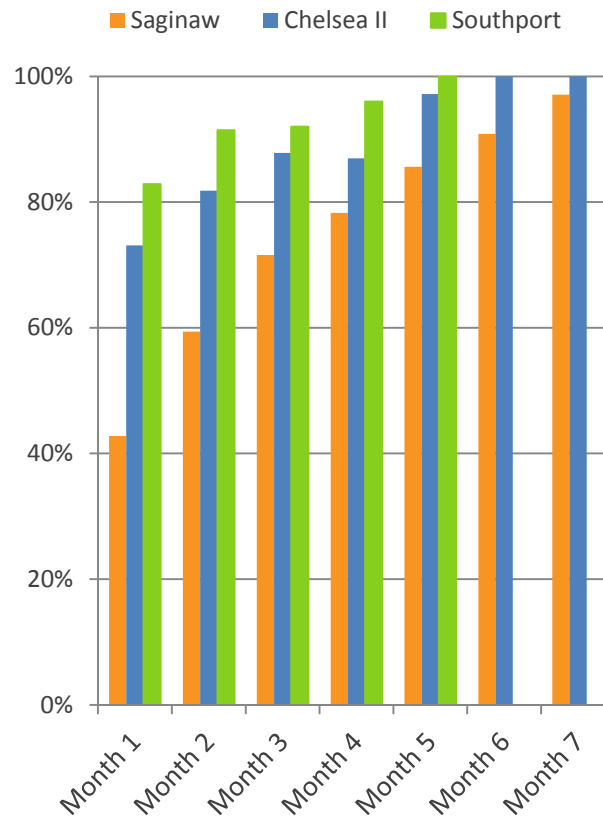
Adding Value from Developments

\$9.5M of Value Gains on 2015/2016 Developments
\$ millions



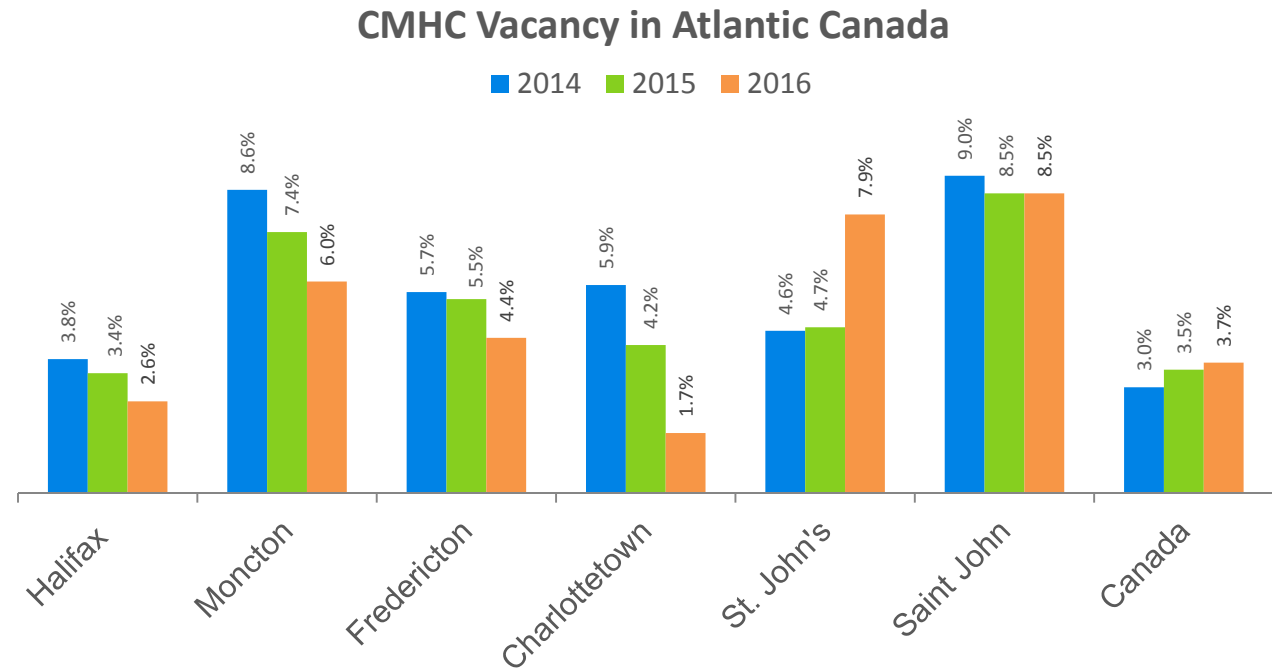
*Condo Value

Monthly Occupancy



Benefiting from Improved Occupancy in Atlantic Canada

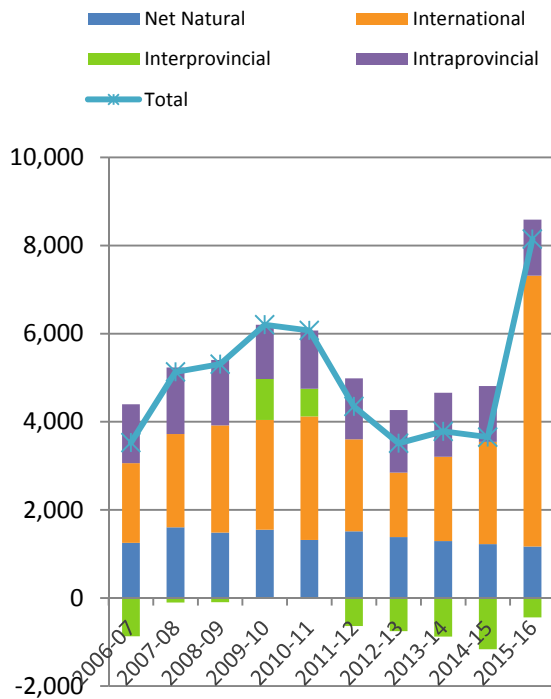
Atlantic Canada is experiencing improved apartment occupancy levels. In their *Fall 2016 Rental Market Report*, CMHC reported lower vacancies in four of six of Killam's core markets in Atlantic Canada, versus an overall increase for Canada.



Source: CMHC Fall 2015 and Fall 2016 Rental Market Reports.

Strong Rental Demand in Halifax

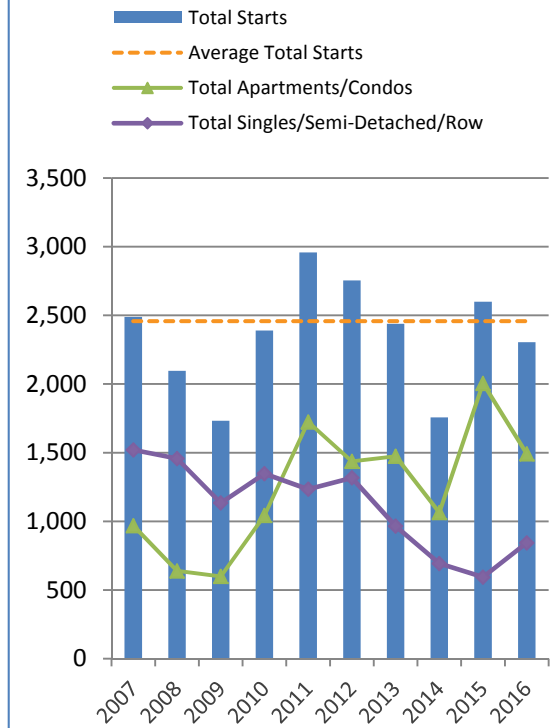
Halifax Population Growth and Source



Source: Stats Canada

- Halifax represents 36% of Killam's NOI.
- Halifax achieved the highest same property growth in 2016:
 - 3.3% revenue growth
 - 6.2% NOI growth
- From 2015 to 2016 Halifax had the largest growth in population of any city outside the Prairies at 2.0%.
- Halifax is amongst the fastest growing economies in Canada with expected GDP growth of 2.6% in 2016 and 2.5% in 2017.
- Demand for apartments are strong due to:
 - Economic growth
 - Urbanization
 - Increased international immigration
 - Demographics

Halifax Housing Starts



Source: CMHC

Focus on Developments

Southport – Completed August 2016

Rental Units: 70

Start Date: December 2014

Completion: August 2016
Move-ins started in Sept 2016

Location: Downtown Halifax

Lease-up: 100%

Cost: \$14.7 million (\$210,000/door)

Expected Yield: 5.5%

Expected Value: 4.75% cap rate

Average Unit Size: 636 sf

Average Rent: \$1,400 (\$2.20/sf)



Focus on Developments

Southport – Completed August 2016



Focus on Developments

The Alexander – 2018 Completion

Rental Units: 240 units, 6,500 sf of retail space

Ownership: Killam 50%, Partners 50%

Start Date: Q3-2015

Projected Completion: Q1-2018

Location: Downtown Halifax across from the waterfront

Cost: \$35 million (Killam's cost) (\$276,000/residential door)

Expected Yield: 5.5%

Expected Value: 4.75% cap rate

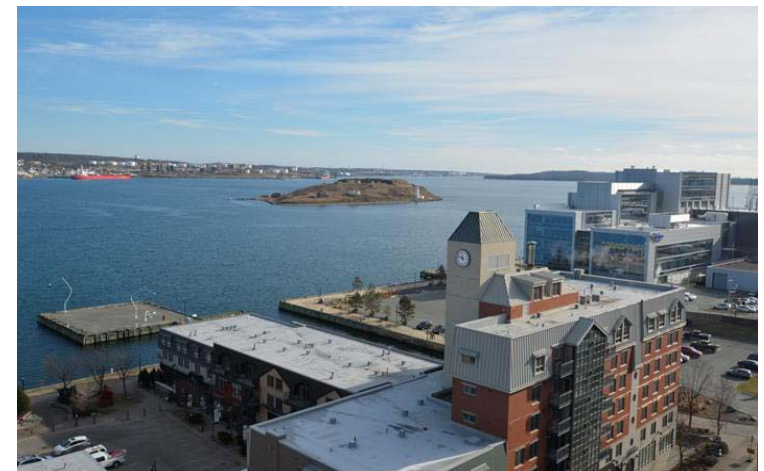
Average Unit Size: 740 sf

Average Rent: \$1,740 (\$2.35/sf)



Focus on Developments

The Alexander - 2018 Completion



Focus on Developments

The Alexander



Focus on Developments

The Alexander



Focus on Developments

The Alexander



Focus on Developments

Saginaw Park – 2018 Completion

Rental Units: 93 units

Start Date: Q3-2016

Projected Completion:
Q2-2018

Location: Adjacent Saginaw
Gardens, Saginaw Parkway,
Cambridge

Cost: \$25.1 million
(\$269,000/door)

Expected Yield: 5.5%

Expected Value: 4.5% cap rate

Average Unit Size: 1,025 sf

Average Rent: \$1,665 (\$1.62/sf)



Focus on Developments

Saginaw Park



Focus on Developments

Gloucester City Centre (Phase 1), Ottawa

Rental Units: 222 units

Ownership: Killam 50%, RioCan 50%

Start Date: Q2-2017

Projected Completion: mid-2019

Location: Ottawa's East End, adjacent Ottawa's Light Rail Transit (LRT) Blair Station.

Cost: \$36 million (Killam's cost) (\$327,000/residential door)

Expected Yield: 5.0%

Expected Value: 4.0% cap rate

Average Unit Size: 789 square feet

Average Rent: \$1,870 (\$2.39/sf)



Focus on Developments

Gloucester City Centre, Ottawa



Focus on Developments
Gloucester City Centre, Ottawa



5-building London Ontario Portfolio



Description:

153 units

113 units at the 3-building property Bellwood Terrace

23 units at Fairview Place

17 unit at Trafalgar Place

Average rent: \$731

Location:

Bellwood Terrace – 960,970 & 980 Cheapside Street

Fairview Place – 298 Fairview Avenue

Trafalgar Place- 1447 Trafalgar Street

Acquisition Details:

\$13.4 (\$87,500 per unit)

Closed December 22, 2016

~5.4% going-in yield

Investment Opportunities:

- 1) Increased economies of scale with existing units in London
- 2) Average cost per unit well below replacement cost
- 3) Rents below average for London - CMHC reports the average rent for units built in the same period to be \$858.

Recent Acquisitions

Spruce Grove Apartments, Calgary

Description:

66 townhouse-style apartments on 3-acre lot

All 2-bedroom, 1,150 sf units

44 two-storey units

22 one-storey units

Average rent = \$1,110

(CMHC reports average 2-bedroom rent of \$1,270 in the neighbourhood in October 2016, down from \$1,563 in October 2015)

Location:

1802-92 Avenue SW, in affluent Pump Hill neighbourhood

Acquisition Details:

\$12.8 million (\$195,000 per unit)

Closed January 16, 2017

~4.5% going-in yield

~5.2% yield at market rents (\$1,270 per unit)

+6% yield within 4 years with unit upgrades

Investment Opportunities:

- 1) Ability to increase NOI with professional management
- 2) Below market rents
- 3) Potential to increase yield with capital upgrades
- 4) Long-term development potential



Recent Acquisitions

William's Court, Ottawa, Ontario

Description:

268 units over two buildings

4th & 5th of a five-building portfolio with a shared clubhouse, completed in 2015 and 2016.

Average rent = \$2,160

Current occupancy = 96% leased

Location:

1203 Maritime Way

985 Great Lakes Avenue

Acquisition Details:

\$49.3 million for 50% interest

Closed March 1, 2017

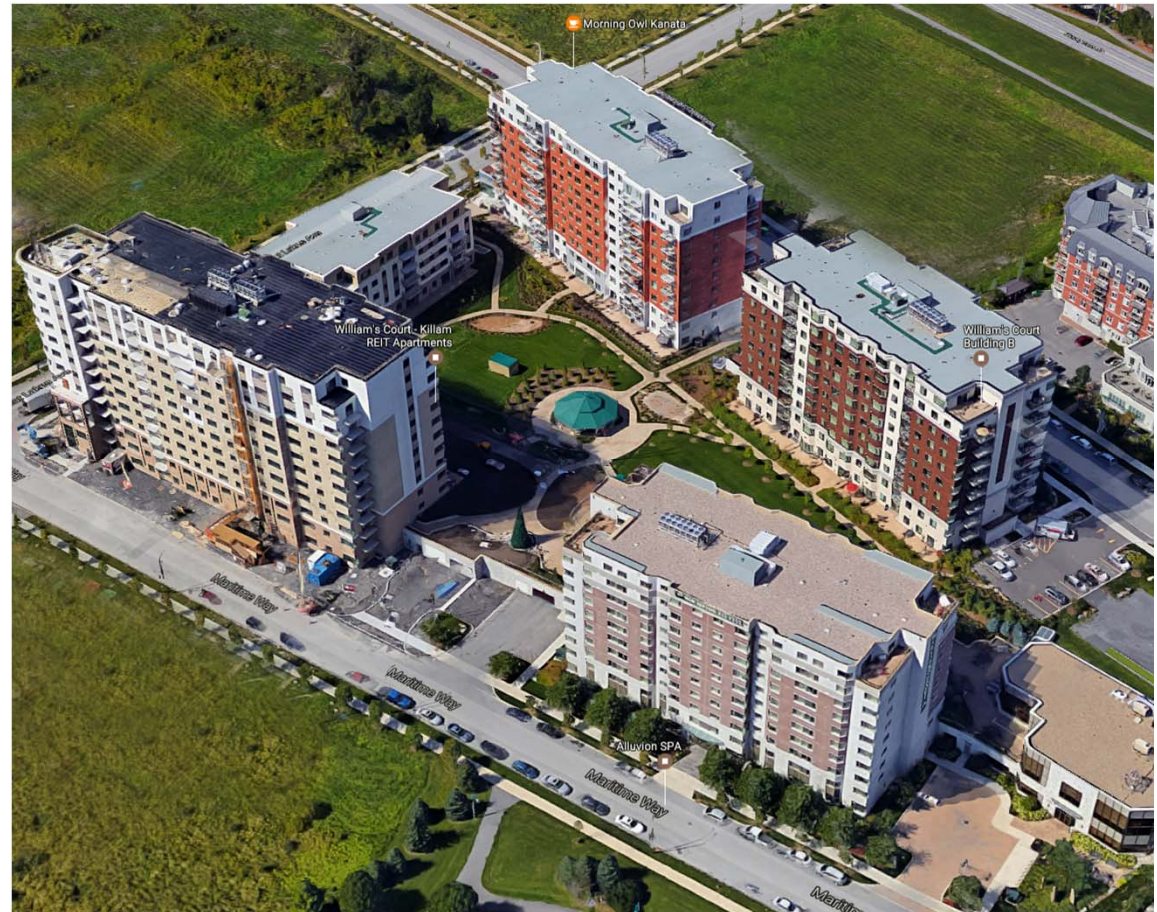
~5.2% stabilized yield

Previous Purchases:

2012 – 25% of building I

2014 – 50% of building II & additional 25% of building 1

2016 – 50% of building III



Recent Acquisitions

William's Court, Ottawa, Ontario



Recent Acquisitions

William's Court, Ottawa, Ontario



Well Positioned for Growth

Killam is well positioned for long-term success with a focus on the follow key initiatives:

- Attention to curb appeal and long-term value enhancement with capital programs and customer-focused service.
- Cost management with ongoing process improvements.
- Growing the portfolio and expanding geographically with accretive acquisitions.
- Augmenting the quality of the portfolio with developments in core market.
- Strengthening its balance sheet with lower debt levels.
- Increasing capital flexibility with an expanded line-of-credit, growing portfolio of unencumbered assets and improved AFFO payout ratio.



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