

Killam Apartment REIT

Investor Presentation

September 2017



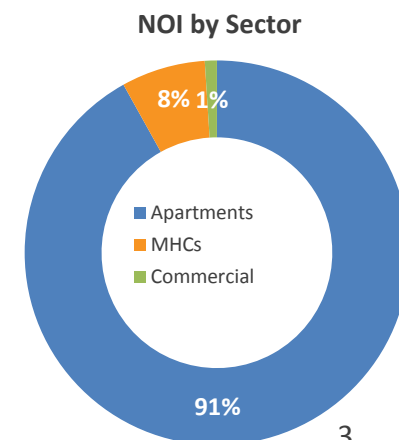
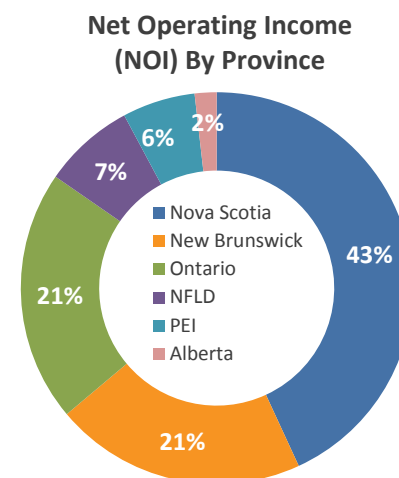
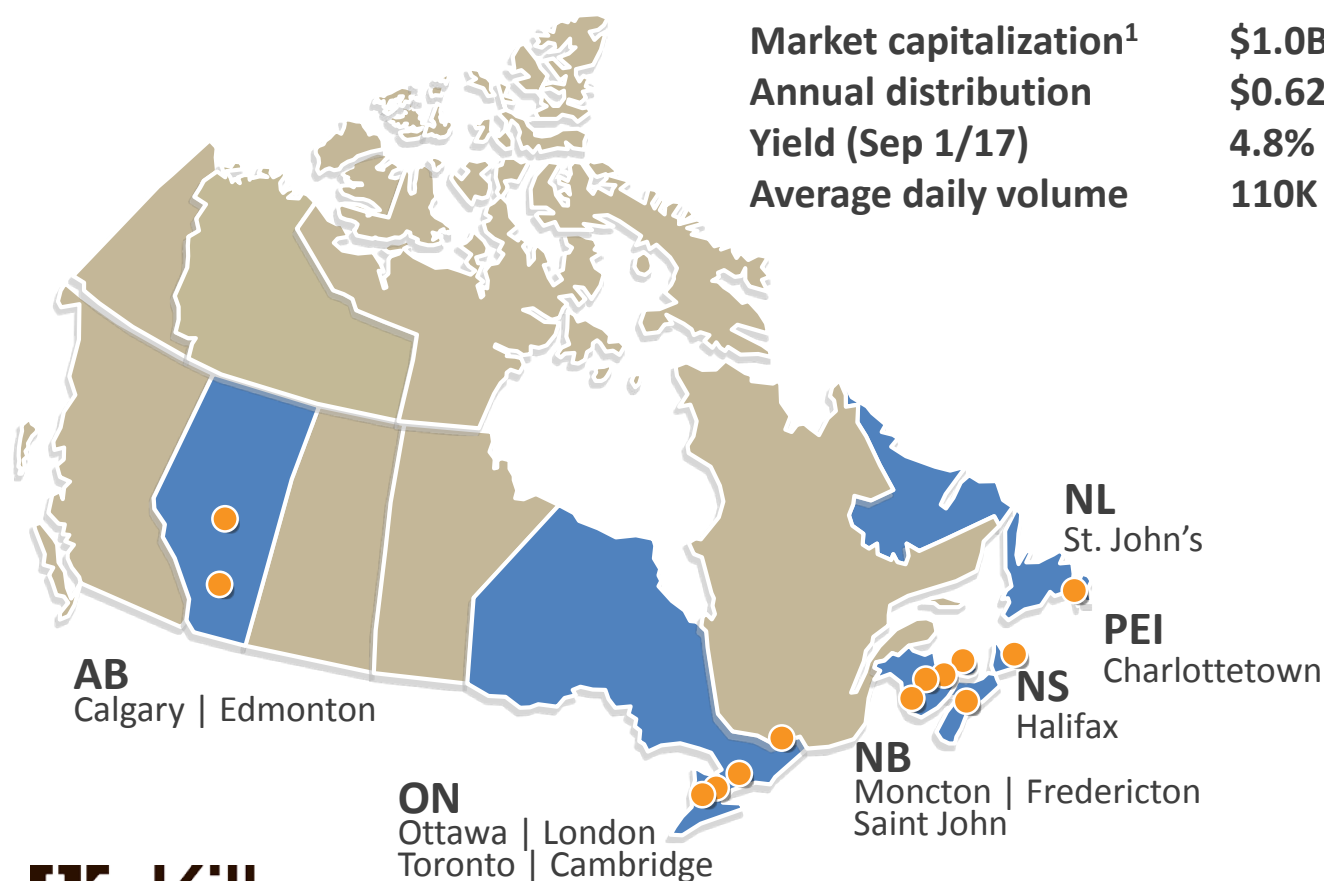
Cautionary Statement

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’s 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 owns, manages and develops multi-family residential properties in Atlantic Canada, Ontario and Alberta. Killam's portfolio includes \$2.1 billion in real estate assets, comprised of 14,555 apartment units and 5,165 manufactured home community (MHC) sites.



Why Invest in Killam



William's Court, Ottawa

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

Clearly Defined Strategy

Killam's strategy to maximize value and profitability is focused on three priorities:

Increase earnings from existing operations.



Spring Garden Terrace, Halifax

Expand the portfolio and diversify geographically through accretive acquisitions, with an emphasis on newer properties.



Waybury Park, Edmonton

Develop high-quality properties in core markets.



The Alexander, Halifax

Clearly Defined Strategy – Existing Assets

#1) Increasing earnings from existing operations.

Revenue Growth

+

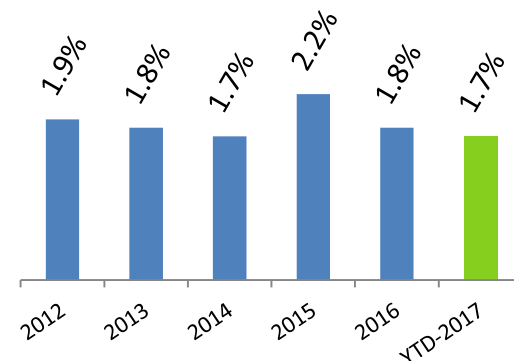
**Expense
Management**

=

**Increased Net
Operating Income
(NOI)**

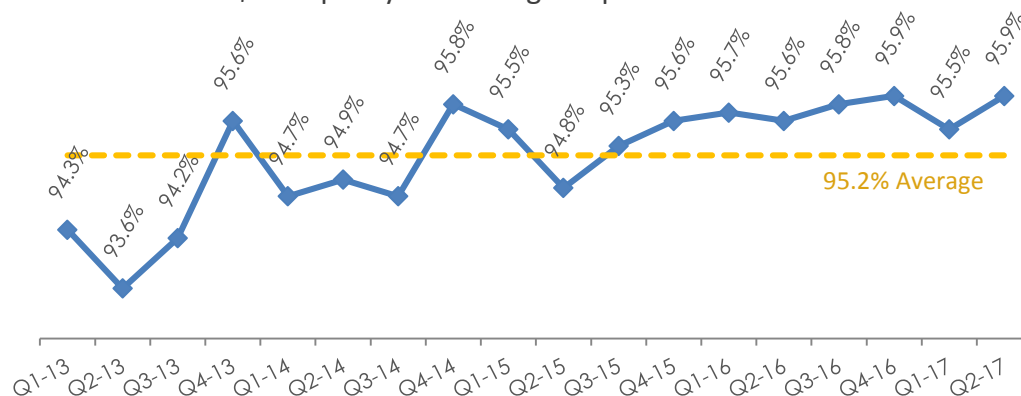
- Strong occupancy
- Rising rental rates
- Reduced incentives
- Quality product & service
- 90% tenant satisfaction rating¹

**Historic Same Property
Revenue Growth**



Apartment Quarterly Occupancy

\$ occupancy as a % of gross potential rents²



¹ 2017 survey results administered by Corporate Research Associates.

² Measured as dollar vacancy versus unit vacancy to more accurately capture impact of vacant units.

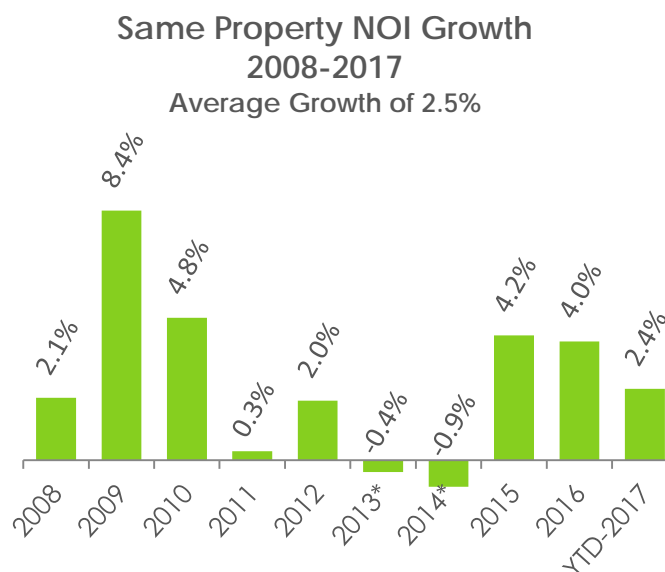
Clearly Defined Strategy – Existing Assets

#1) Increasing earnings from existing operations.

Revenue Growth
+
**Expense
Management**
=
Increased NOI

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

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



2017 Target
2% NOI growth

Long-term Target
Average of 2%+
NOI growth

Clearly Defined Strategy – Existing Assets

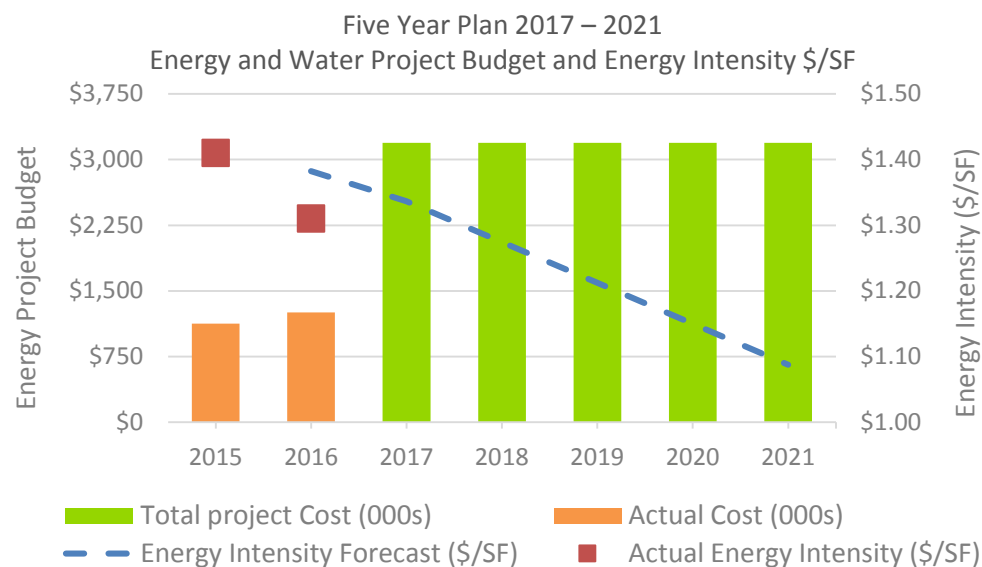
#1) Increasing earnings from existing operations – energy efficiency initiatives.

Revenue
Growth
+
**Expense
Management**
=
Increased NOI

Killam has committed \$5 million to date in these projects, including installing 8,300 low flow toilets, boiler upgrades and lighting retrofits.

Five year plan developed in 2016 to reduce resource use

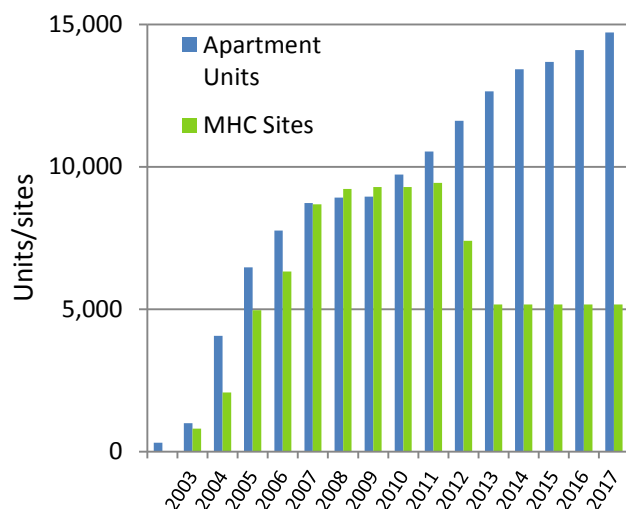
- **\$25 Million** project costs with **\$5 Million** committed
- **4 Year** average payback
- **\$7 Million** potential savings for a **\$140 Million** increase in NAV at 5.0% Cap Rate



Clearly Defined Strategy – Acquisitions

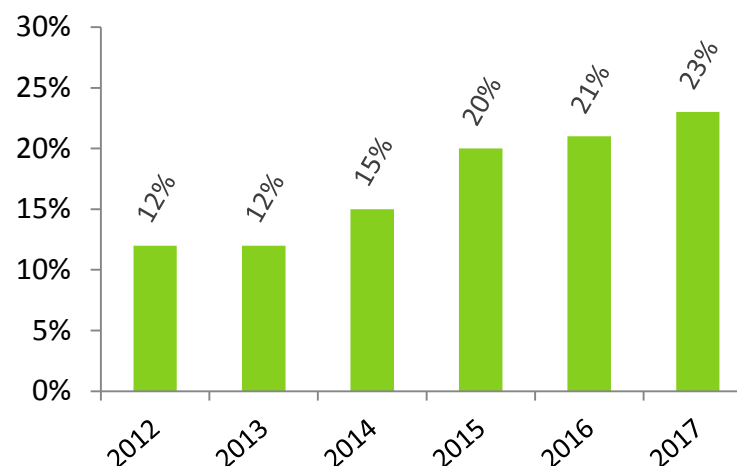
#2) Expanding the portfolio and diversifying geographically through accretive acquisitions, with an emphasis on newer properties.

Apartment Units & MHC Sites



Killam has added over 600 units to its portfolio in 2017, including 362 units in Alberta and 111 units in Ontario.

NOI Generated Outside Atlantic Canada



Investment outside Atlantic Canada will increase
Killam's exposure to higher population growth centres.

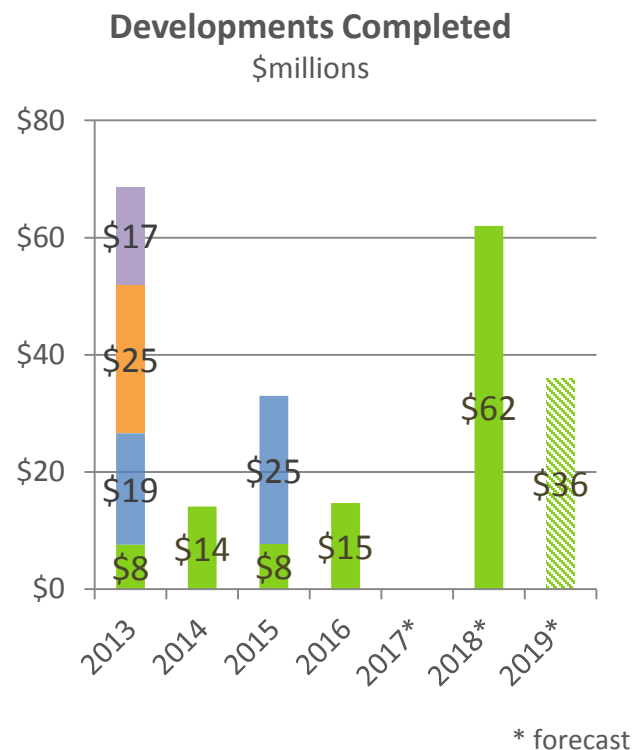
Clearly Defined Strategy – Developments

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

Killam has invested or committed over \$225 million to develop 1,180 units since 2011. Killam has an experienced team and a development pipeline of approximately 1,500 units.



Southport, Halifax – Completed 2016



2017 Target: Remain on schedule to complete the Alexander and Saginaw developments in 2018.

Long-term Target: Create \$20M of value through development by 2020.

Clearly Defined Strategy – Developments

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



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

Over \$130 million
of developments
completed.



122 units - Cambridge, ON



70 units – Halifax, NS

Clearly Defined Strategy – Developments

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



Alexander

Halifax, NS

Q4-2017/Q1-2018

\$36 million*

240 units and 6,500 sf
commercial space

\$288,000/unit

* Killam's 50% interest.



Saginaw Park

Cambridge, ON

Q1-2018

\$26 million

93 units

\$272,000/unit



Gloucester City Centre

Ottawa, ON

Q2-2019

\$36 million*

222 units

\$327,000/unit

Killam has ~\$100 million of projects underway in Ontario and Nova Scotia.

Development projects underway are almost fully funded and are expected to contribute FFO of \$0.04/unit and \$15 million of NAV when complete.

2017 Target: Remain on schedule to complete the Alexander and Saginaw developments in 2018.

Long-term Target: Create \$20M of value through development by 2020.

Clearly Defined Strategy – Developments

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

Killam has a ~\$500 million pipeline of developments.

Property	City	Units
Future Development Opportunities - 2017 & 2018		
Silver Spear*	Mississauga, ON	64
Carlton Terrace	Halifax, NS	104
The Governor	Halifax, NS	48
Future Development Opportunities - 2018 and beyond		
Cameron Heights	Edmonton, AB	190
Grid 5 Land*	Calgary, AB	199
Topsail Road	St. John's, NL	225
Medical Arts (Spring Garden)	Halifax, NS	200
Block 4	St. John's, NL	80
Carlton Houses	Halifax, NS	70
Gloucester City Centre (Phase 2-4)*	Ottawa, ON	309
Total Development Opportunities		1,489

* Represents Killam's 50% interest in developments.

Killam expects yields of 5.0% - 6.0% on developments, 75-150 bps higher than expected cap-rate value on completion.

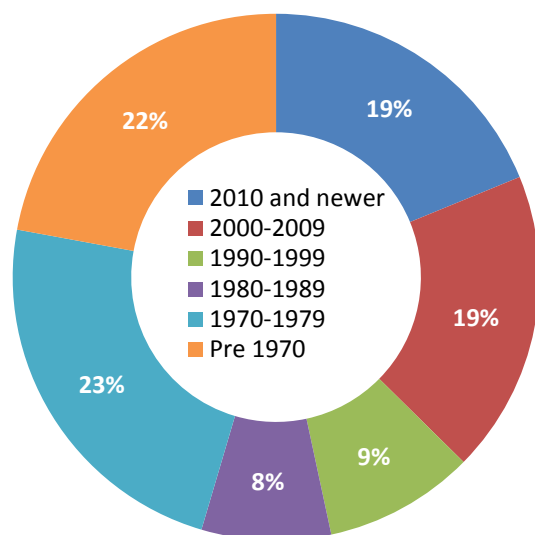
Carlton Terrace, Halifax



Silver Spear, Mississauga

High-Quality Portfolio

Apartment NOI by Year of Construction

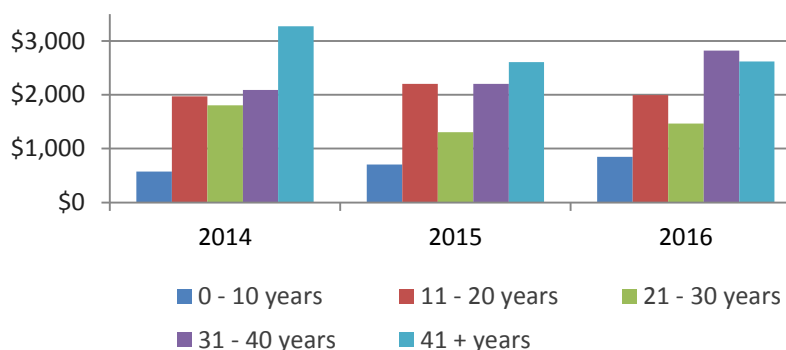


Killam has one of Canada's newest apartment portfolios – 37% of apartment NOI is earned from properties built in 2000 or later.

Modern, high-quality buildings are in greater demand and require less capital maintenance to operate.

Average Capital Spend Per Unit by Building Age

For the years ended Dec 31








Killam's average annual spend for properties less than 10 years old was \$850 per unit in 2016 compared to \$2,700 per unit for buildings over 40 years old.

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

Achieving 2017 Performance Targets

2017 Key Metrics

Progress

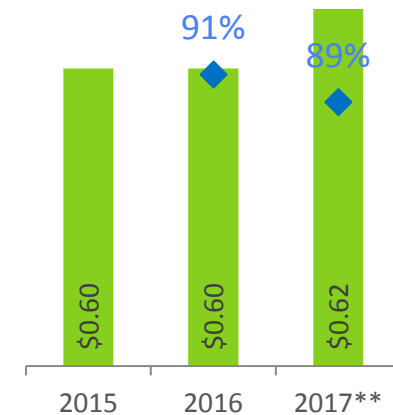
	Grow Same Property NOI by 1% to 3%	2.4% Same Property NOI growth in the first six months of 2017
	Acquire \$75 million of assets	\$180 million of assets purchased or contracted to acquire
	Focus 75% of acquisitions in Alberta and Ontario	79% of acquisitions completed in 2017 in Alberta and Ontario
	Progress developments on schedule	Two construction projects totaling 333 units to be completed through 2018
	Reduce debt as a percentage of assets	50.4% debt to assets ratio at June 30, 2017 is 310 basis points lower than December 31, 2016

Growing Earnings & Improved Payout Ratio



Dividend/Distribution & Payout Ratio

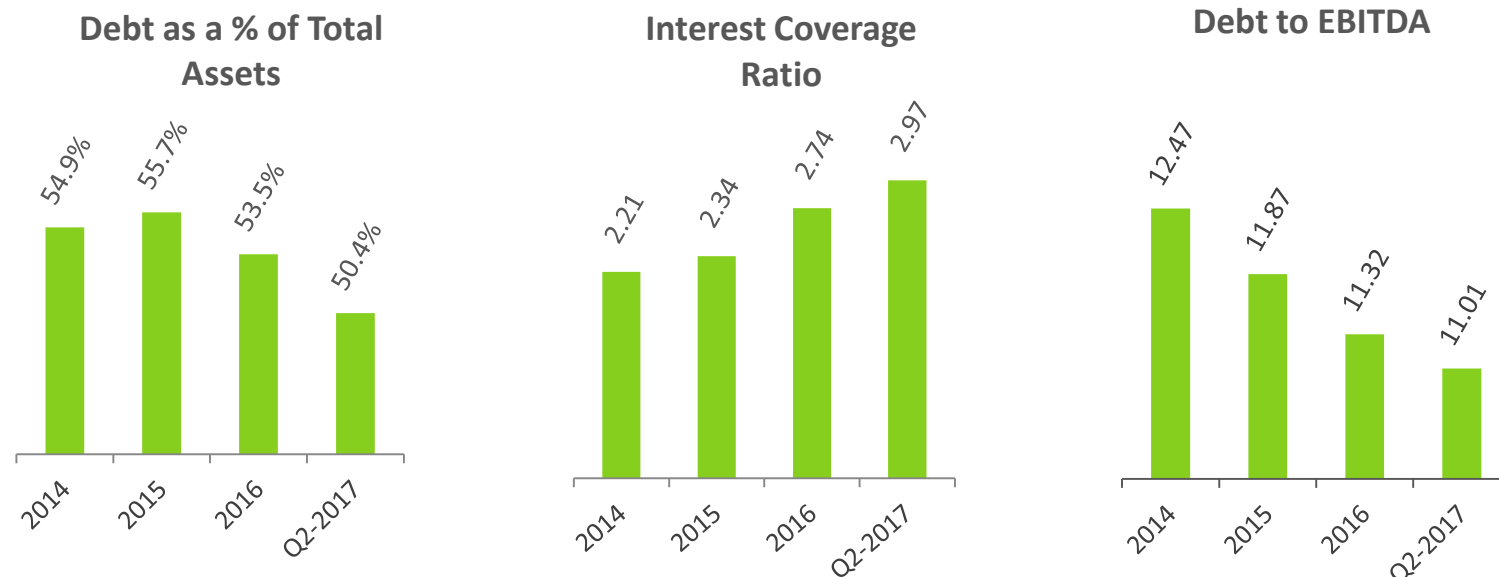
■ Dividend/Distribution
◆ AFFO* Payout Ratio



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

Stronger Balance Sheet with Increased Flexibility

Killam has redeemed \$103 million of convertible debentures to reduce leverage.



Killam has secured a \$30 million revolving credit facility to fund acquisitions and for other general corporate purposes.

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

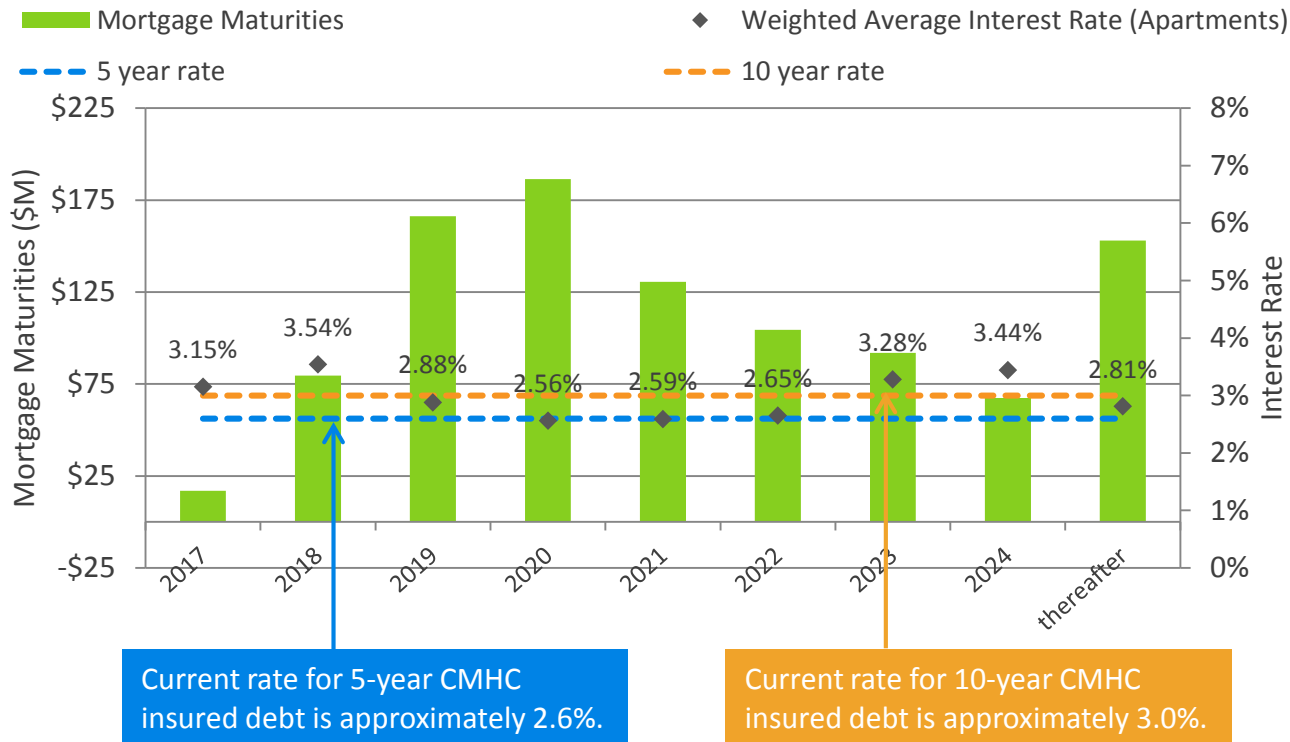
Long-term Targets: Debt as a percentage of assets of less than 50% by 2020. Acquisition line of credit increased to minimum of \$50 million.

Interest Expense Savings

~\$120 million of refinancings through to the end of 2018 will generate interest savings.

Apartment Mortgage Maturities by Year

As at June 30, 2017



Current Weighted Average Interest Rate of 2.94%

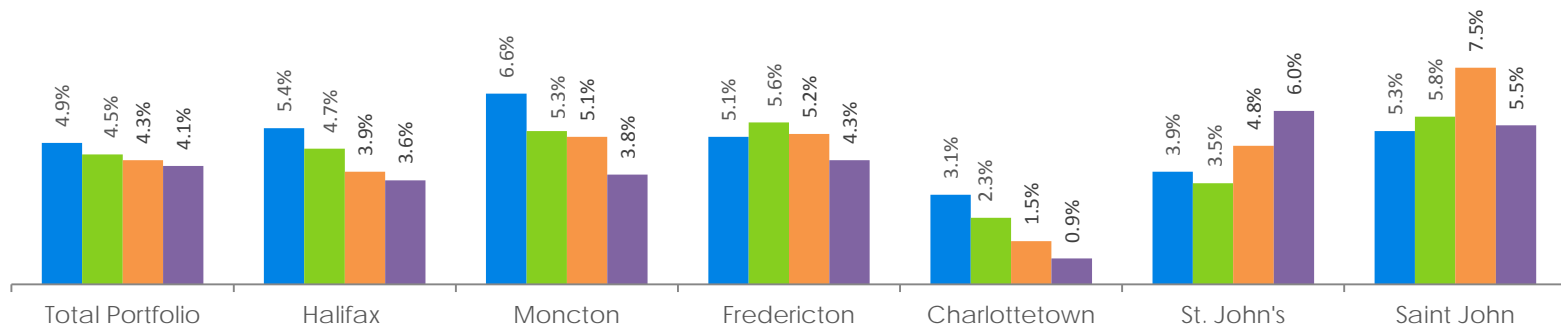
78% of Apartment Mortgages CMHC Insured

Weighted Average Term to Maturity of 4.2 years

Strong Growth in Atlantic Canada

Killam Vacancy in Atlantic Canada

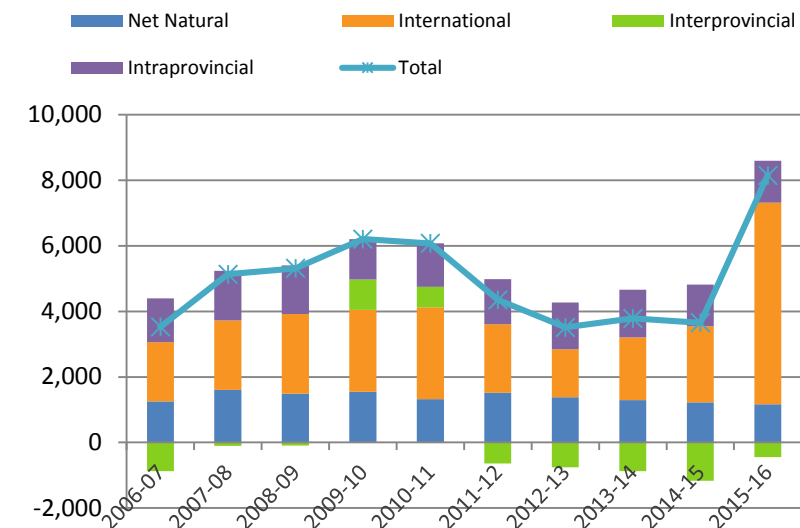
■ 2014 ■ 2015 ■ 2016 ■ 2017*



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.

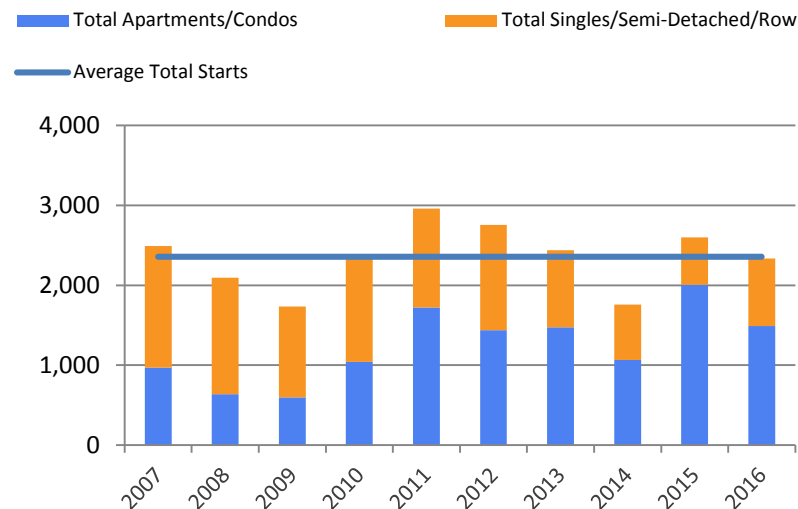
Strong Rental Demand in Halifax

Halifax Population Growth and Source



Source: Stats Canada

Halifax Housing Starts



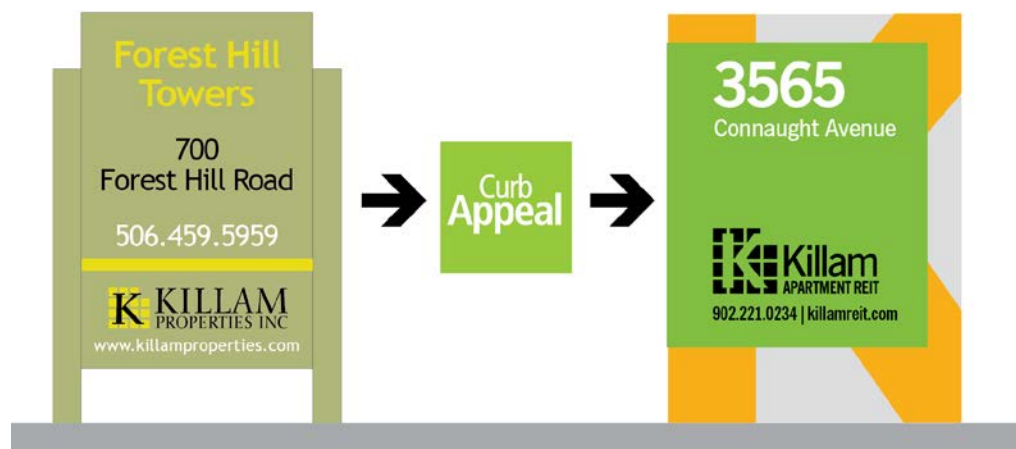
Source: CMHC

- Killam generates 36% of its NOI in Halifax.
- Killam's highest same property growth in 2016 was in Halifax:
 - 3.3% revenue growth
 - 6.2% NOI growth
- Halifax's 2016 population growth of 2.0% was the highest rate of any city outside the Prairies.
- Halifax is amongst Canada's fastest growing economies with expected GDP growth of 2.5% in 2017.

Positioned for Growth

Killam is positioned for long-term success with a focus on the following initiatives:

- Growing the portfolio and expanding geographically with accretive acquisitions.
- Expanding the portfolio through developments in core markets.
- Cost management through ongoing process improvements.
- Strengthening the balance sheet and lowering debt levels.
- Increasing capital flexibility with an expanded line-of-credit, growing portfolio of unencumbered assets and improved AFFO payout ratio.



Killam Apartment REIT

Appendices



Innovation Drive, Halifax

Description:

134 units over two buildings

Average rent – \$1,520/month (\$1.04/sf)

Current occupancy – 93% leased

Location:

246 Innovation Drive, Bedford

300 Innovation Drive, Bedford

Acquisition Details:

\$31.6 million (\$236,000/unit)

Closed July 4, 2017

5.2% capitalization rate



Waybury Park & Tisbury Crossing, Edmonton

Description:

296 units over four buildings

Expected rent – \$1,495 (\$1.79/sf)

Current occupancy – Waybury Park – 92%

Tisbury Crossing – 60% (under construction)

Location:

Waybury Park – 112 & 114 Tisbury Street

Tisbury Crossing – 200 & 202 Salisbury Way

Acquisition Details:

\$67.5 million (\$228,000/unit)

5.75% capitalization rate

Anticipated purchase date:

Waybury Park – mid-August, 2017

Tisbury Crossing – October, 2017



The Alexander, Halifax

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: \$36.0 million (Killam's cost) (\$288,000/residential door)

Expected Yield: 5.4%

Expected Value: 4.65% cap rate

Average Unit Size: 740 sf

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





Saginaw Park, Cambridge

Rental Units: 93 units

Start Date: Q3-2016

Projected Completion:
Q2-2018

Location: Adjacent Saginaw
Gardens, Saginaw Parkway,
Cambridge

Cost: \$25.3 million
(\$272,000/door)

Expected Yield: 5.4%

Expected Value: 4.75% cap rate

Average Unit Size: 1,025 sf

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





NEPLAW
919-949-3310

CELESTIAL CONSTRUCTION

WELTON BLANKET
CONSTRUCTION

MTE

CAUTION
NO TRESPASSING

GO



Gloucester City Centre (Phase I), 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)





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