



# Q1-2018

# Results

# Conference Call

*May 10, 2018*

*1pm Eastern*



# Home. For all.

# 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.



# Q1-2018 Highlights – Strategic Achievements

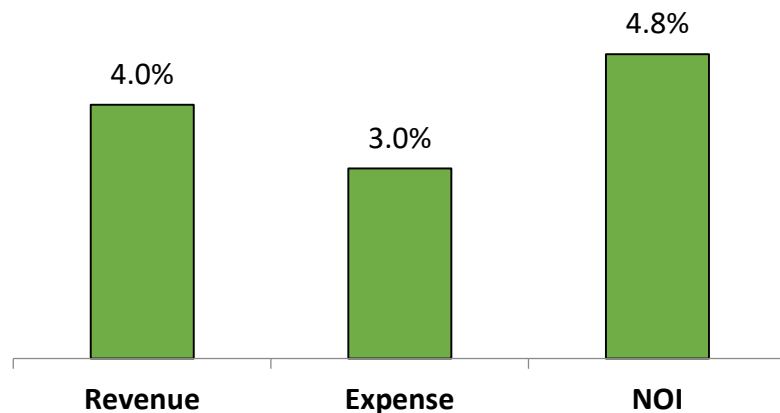
2018 Target	Q1- 2018 Performance
<b>Grow Same Property NOI by 1% to 2%</b> <u>Q1 Update:</u> Target increased to 2%-4%	✓ 4.8% Same Property NOI growth.
<b>Acquire a minimum of \$125 million of assets</b> <u>Q1 Update:</u> Target increased to \$150-200 million in 2018	✓ \$124 million of acquisitions in Q1.
<b>Focus 75% of acquisitions and 26% of 2018 NOI outside Atlantic Canada</b>	✓ 73% of acquisitions in Q1 ✓ 27% of 2018 forecasted NOI outside Atlantic Canada.
<b>Complete The Alexander, Saginaw and break ground on one additional development</b>	✓ Saginaw Park opened April 1 <sup>st</sup> ✓ The Alexander to be completed Sept-2018 ✓ Expect to break ground on the Mississauga development in Q4-2018.
<b>Maintain debt to total asset to below 52%.</b>	✓ 50.2% debt to assets ratio at March 31, 2018.

# Q1-2018 Financial Highlights

- Generated FFO per unit of \$0.20, up 5.3% from \$0.19 in Q1-17.
- Produced AFFO per unit of \$0.16, up 14.3% from \$0.14 in Q1-17.
- Increased property revenue 4.0% for the quarter.
- Managed operating expense increases to 3.0% for the quarter.
- Achieved same property NOI growth of 4.8% in Q1-18.
- \$124 million in acquisitions.

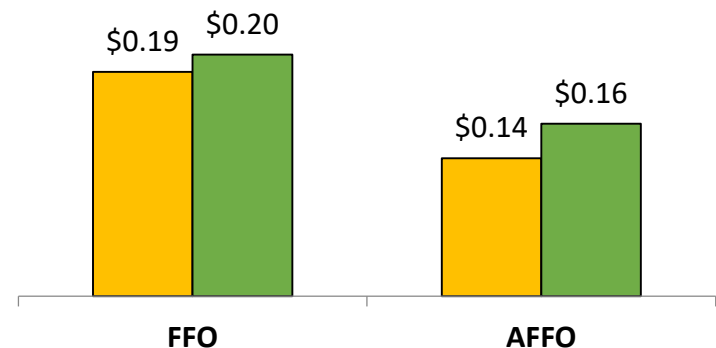
## Same Property Portfolio Performance

For the quarter ended March 31, 2018



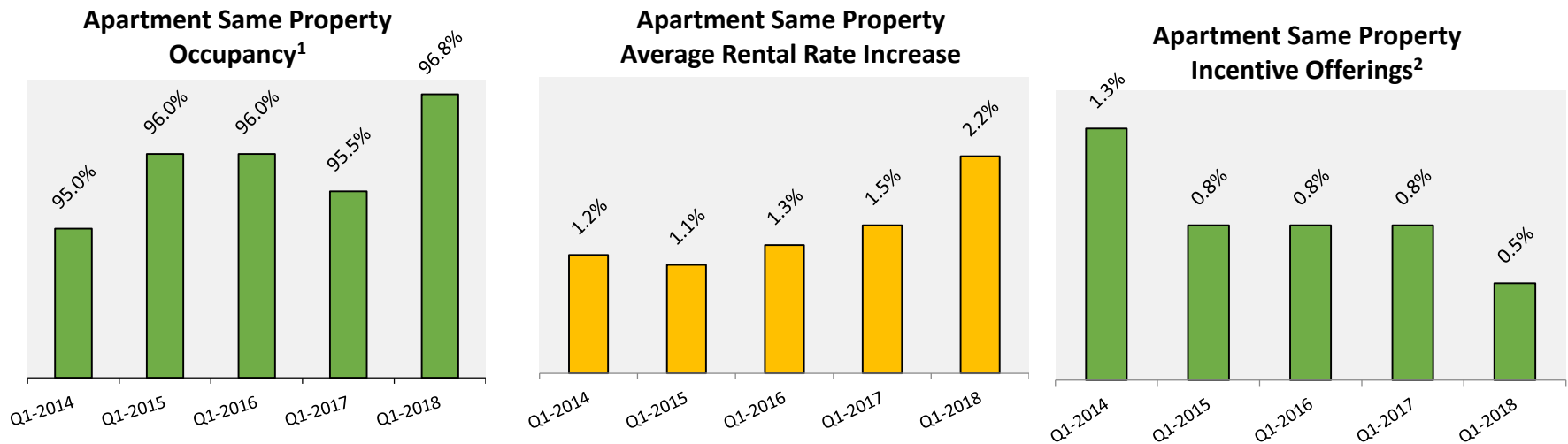
## Q1 FFO & AFFO Per Unit

■ Q1-2017 ■ Q1-2018



## Strong revenue growth to increase same property earnings.

- Rising rental rates: Rate increases on renewals (1.5%) and turns (5.0%), averaging 2.2% in Q1-2018.
- Strong occupancy: Q1-2018 economic occupancy was amongst Killam's highest.
- Reduced incentives: 30 bps lower than Q1-2017 as less inducements required in current low vacancy environment.



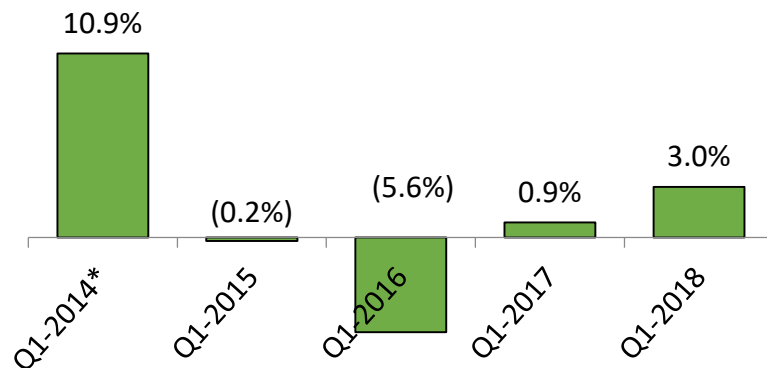
1 Measured as dollar vacancy for the quarter.

2 Measured as a percentage of residential rent.

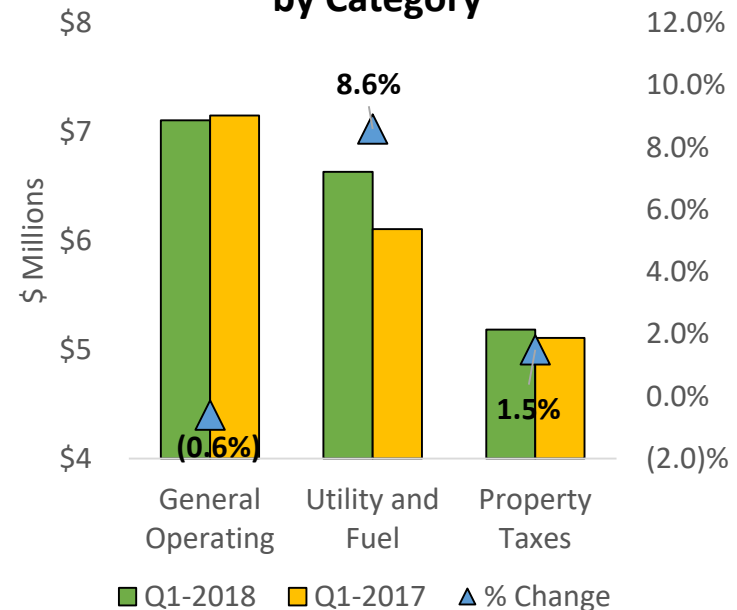
## Managing expenses to increase same property earnings.

- Investing in energy and water conservation initiatives.
- Maximizing economies of scale.
- Appealing rising property tax assessments.

### Same Property Expense Growth



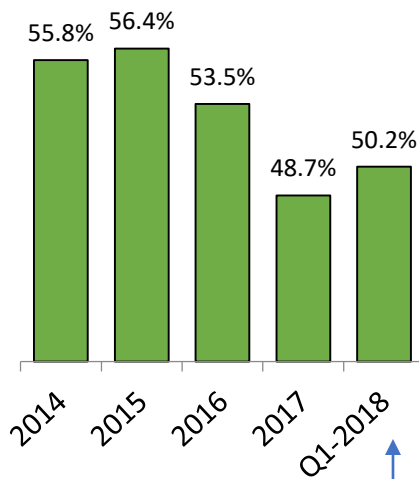
### Same Property Expense Change by Category



\* Record high natural gas prices in Atlantic Canada impacted expense and NOI growth in 2014.

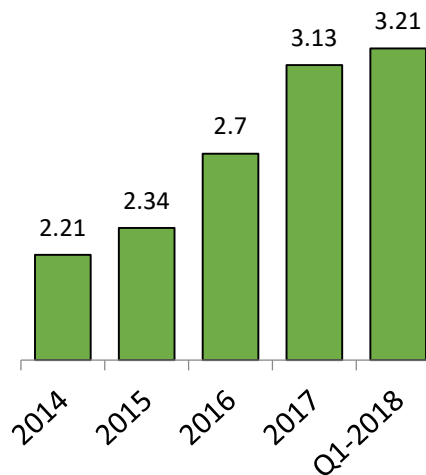
## Managing balance sheet with conservative leverage.

### Debt as a Percentage of Assets

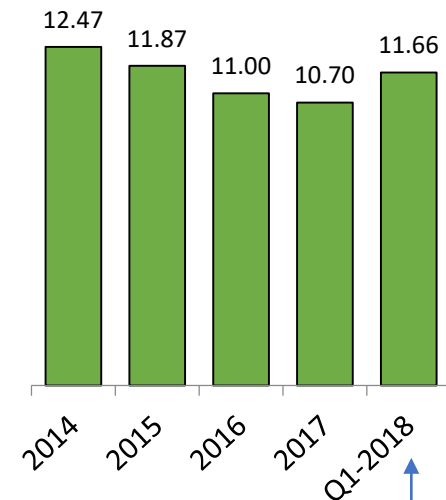


Leverage increased in Q1 due to mortgages placed on properties acquired debt-free in December 2017. Killam is managing debt levels to below 52% during 2018 and below 50% by 2020.

### Interest Coverage Ratio



### Debt to EBITDA

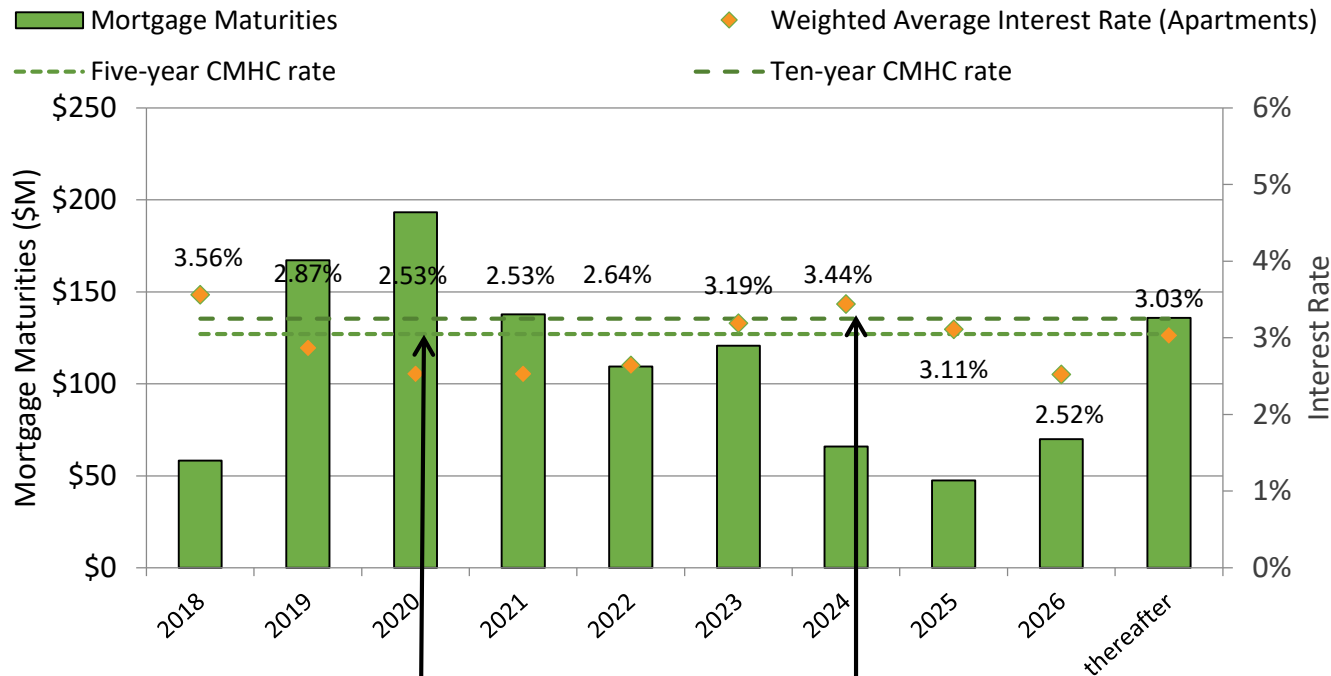


Debt to EBITDA increased in Q1 due to the timing of acquisitions. In addition, increased construction financing on Killam's development projects has contributed to the increase debt to EDITDA ratio. Proforma debt to EDITDA with stabilization of recent acquisitions and developments would be approximately 10.40.



# Q1-2018 Financial Highlights

## Apartment Mortgage Maturities by Year As at March 31, 2018



Current rate for 5-year CMHC insured debt is approximately 3.05%.

Current rate for 10-year CMHC insured debt is approximately 3.25%.

**Current Weighted Average Interest Rate of 2.91%**

**80% of Apartment Mortgages CMHC Insured**

**Weighted Average Term to Maturity of 4.3 years**

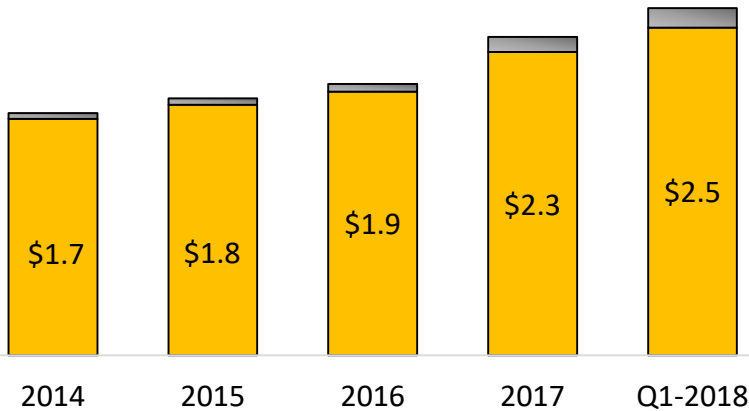


# Q1-2018 Financial Highlights

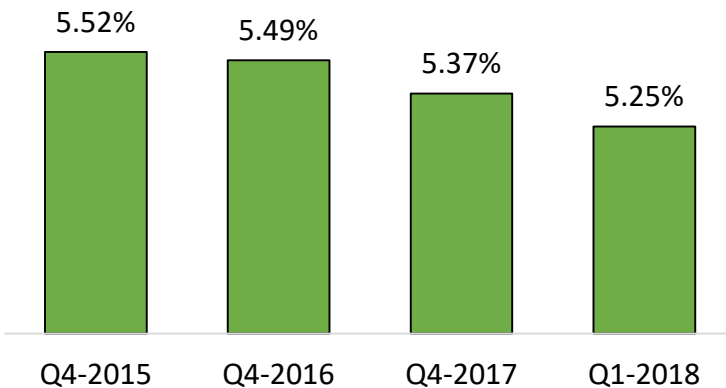
## Increasing value of investment properties.

### Investment Properties (\$ billions)

■ Investment Properties under Construction



### Weighted Average Apartment Cap-Rates



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

Increase earnings from existing portfolio.



**Spring Garden Terrace, Halifax**

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



**100 Eagle Way, Cambridge**

Develop high-quality properties in core markets.

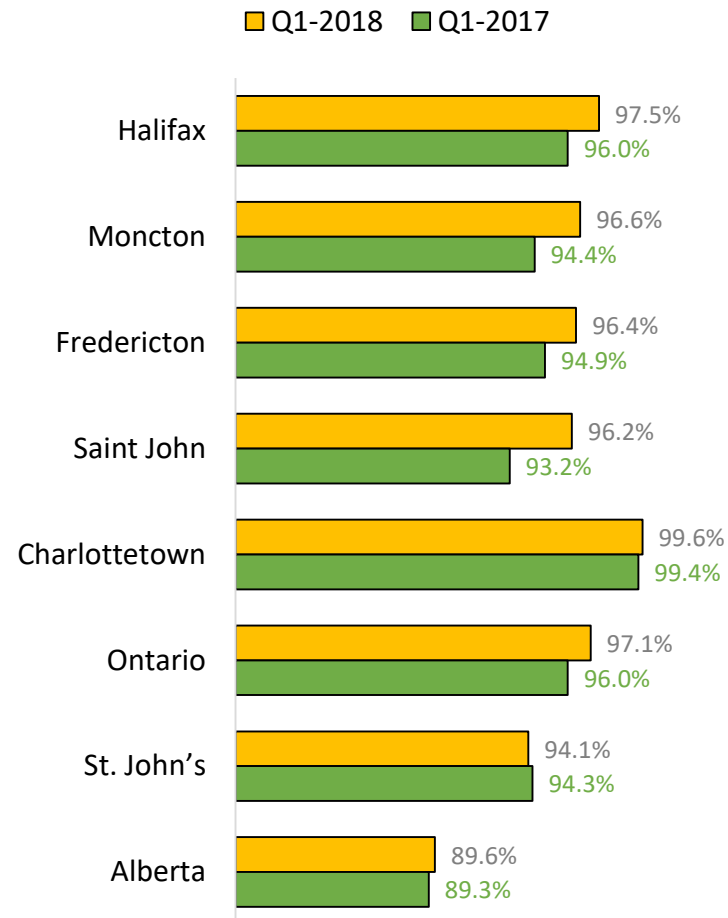
**The Alexander, Halifax**

# Q1-2018 - Increasing Revenues to Grow NOI

Driving revenues through increased occupancy and less rental incentive offerings.

Region	Q1-2018 SP Rent	Q1-2017 SP Rent	% Change
Halifax	\$1,015	\$993	2.2% ↑
Moncton	\$846	\$824	2.7% ↑
Fredericton	\$940	\$918	2.4% ↑
Saint John	\$780	\$758	2.9% ↑
Charlottetown	\$935	\$914	2.3% ↑
Ontario	\$1,168	\$1,139	2.5% ↑
St. John's	\$975	\$966	0.9% ↑
Alberta	\$1,128	\$1,153	2.2% ↓

Apartment Same Property Occupancy



# Q1-2018 - Increasing Revenues to Grow NOI

Driving revenues through rental increases.

For the three months ended March 31,	2018	2017	Change (bps)
Upon unit turn	5.0%	2.0%	300 bps

- 27 repositioned units in Q1-2018 vs. 9 repositioned units in Q1-2017.
- Stronger market fundamentals enables Killam to raise rents on renewals.
- Seeking higher rent lifts and ROI on each unit turn.





Accelerating capital investment in suites to maximum NOI growth and investment returns.

- Investing an additional \$2 million in suite repositioning program in 2018.
- Capitalizing on high rental demand in many core market.
- Targeting rental lifts of 15% to 20% on repositioned unit turn and ROI of 10%+.



Spruce Grove, Calgary

## Driving revenues through repositioning units – Spruce Grove, Calgary

- Purchased in January 2017; 66 units
- 9 repositioned units
  - \$27k - Average investment per unit
  - 22% - Average rent lift
  - 14.1% - Average ROI
  - \$750k - Increased asset value



Spruce Grove, Calgary



## Driving revenues through repositioning units – Garden Park, Halifax

- 75 repositioned units
  - \$23k - Average investment per unit
  - 21% - Average rent lift
  - 12% - Average ROI
  - \$3.6 million - Increased asset value



Garden Park, Halifax

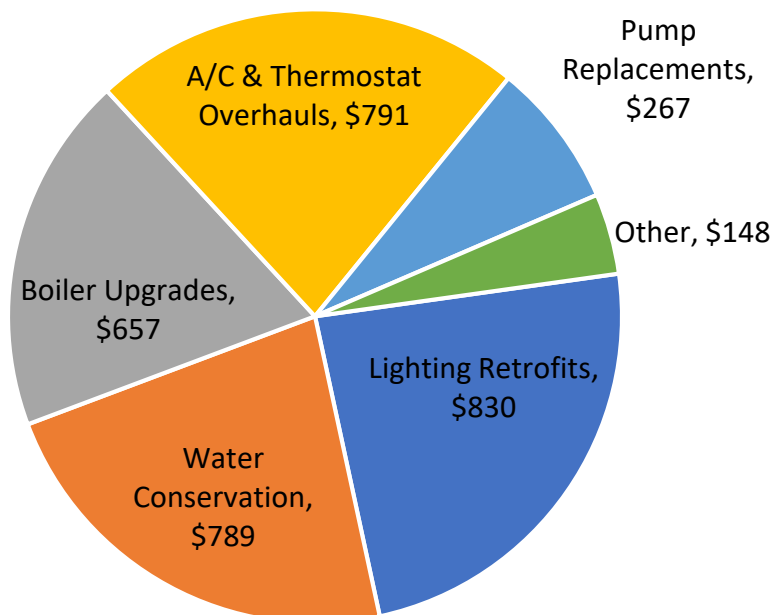




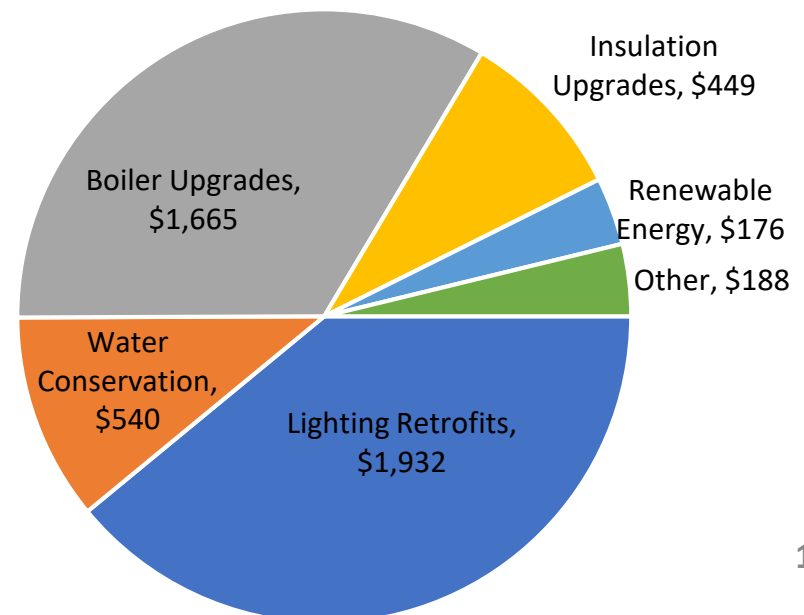
## Accelerating Killam's 5-year, \$25 million energy efficiency plan

- Killam has invested \$6 million to date in efficiency projects, including 8,300 low-flow toilets installs, boiler upgrades and lighting retrofits.
- Original 2018 plan of \$3.5 million – increased to approx. 180 projects and \$5.0 million.
- Expect additional \$1.1 million of annualized savings with 4.2 year payback.

2017 Energy Projects (\$000's)



2018 Energy Projects (\$000's)



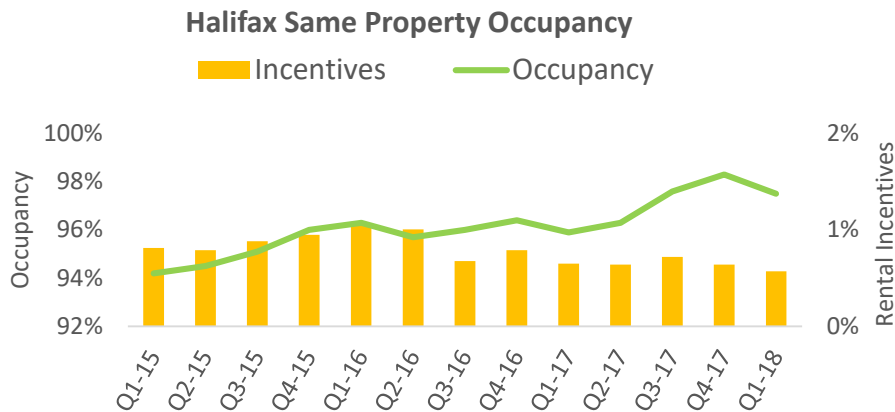
The Halifax rental market is strong with overall vacancy at its lowest level since 2003.

## Current Market Conditions

- Strong demand due to population growth from immigration, intraprovincial migration and demographics.
- Increasing supply with higher than average starts and completions in 2017.
- Occupancy forecast to increase only modestly over the coming years.

Q1-2018	
% of NOI	39%
Units	5,569
Rental Rate Growth	2.2%
Occupancy	97.5%
NOI Growth	3.4%

## Killam's Same Property Performance



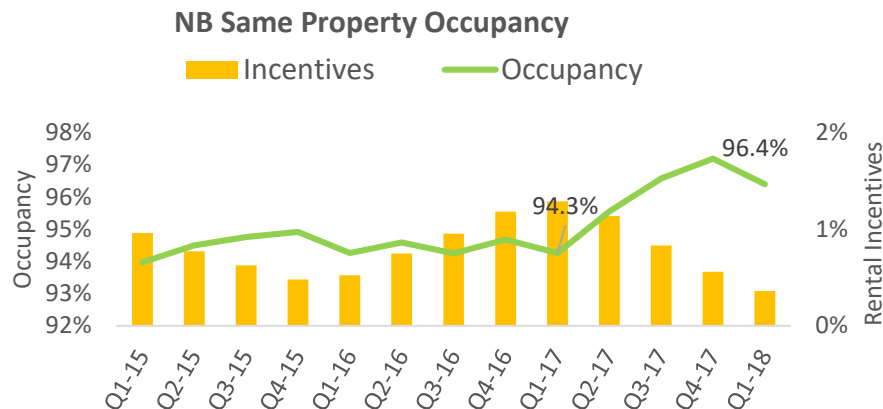
Population growth coupled with limited construction has resulted in the lowest vacancy since 2009.

## Current Market Conditions

- Emigration has slowed with an improving economy, increasing population growth and rental demand.
- Fewer apartment starts in recent years has contributed to improved occupancy.
- Higher occupancy in all three major markets – 220 bps higher than Q1-2017.

Q1-2018	
% of NOI	19%
Units	4,349
Rental Rate Growth	2.6%
Occupancy	96.4%
NOI Growth	10.3%

## Killam’s Same Property Performance



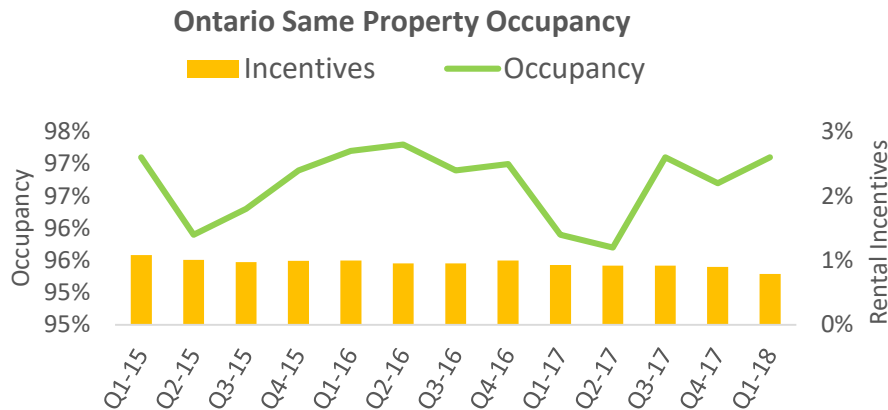
**Strong rental market driven by robust job market, international immigration and high housing prices.**

## Current Market Conditions

- Strong economic growth.
- Rising population due to immigration and intra-provincial migration.
- Affordability of homeownership is driving many to rent.
- Construction has not kept pace with unit demand.

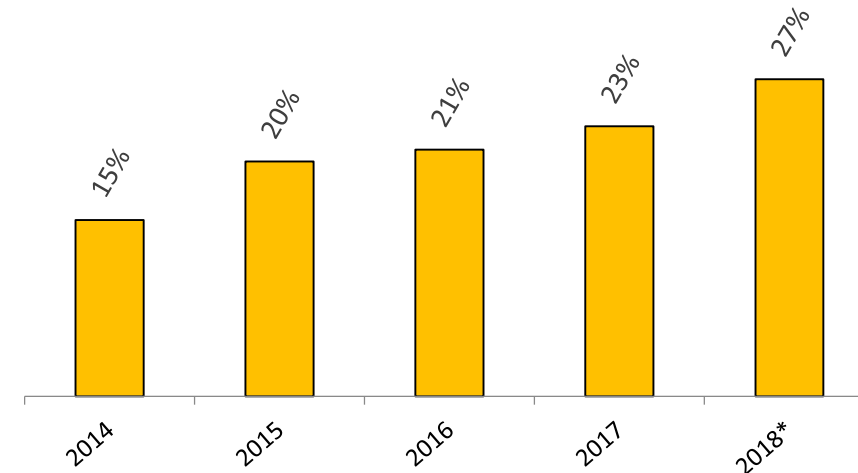
Q1-2018	
% of NOI	<b>19%</b>
Units	<b>2,312</b>
Rental Rate Growth	<b>2.5%</b>
Occupancy	<b>97.1%</b>
NOI Growth	<b>3.8%</b>

## Killam’s Same Property Performance



Property	City	Units	Ownership Interest	Purchase Price (\$ millions)	
				Income Producing Properties	Properties Under Construction
The Killick	Halifax, NS	110	100%	\$33.0	
4th Avenue Lands	Calgary, AB		40%		\$7.2
Weber Scott Pearl	Kitchener, ON		100%	1.2	\$4.8
Westmount Place	Waterloo, ON		100%	\$72.9	\$4.9
<b>Total Acquisitions</b>		<b>110</b>		<b>\$107.1</b>	<b>\$16.9</b>

## NOI Generated Outside Atlantic Canada



\*2018 forecast

# Q1-2018 Acquisitions – Killick, Halifax

## Description:

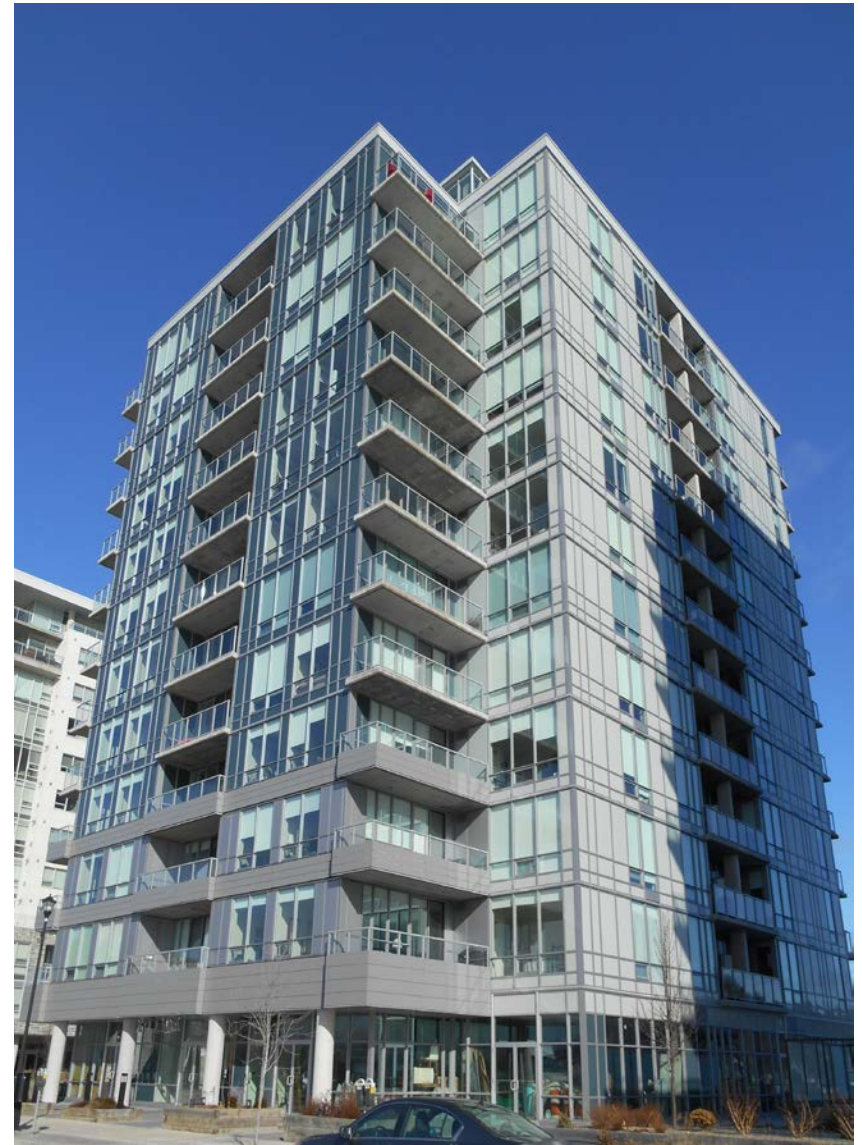
110 units & 4,500 sf of commercial space  
Avg rent of \$1,810/month; Occupancy 97%

**Location:** 49 King's Wharf, Dartmouth

## Acquisition Details:

\$33.0 million (\$290,000/unit)

5.0% capitalization rate



Killick, Halifax



# Q1-2018 Acquisitions – Westmount Place, Waterloo

## Description:

14.7 acre existing commercial site  
189,000 sf office tower  
87,000 sf grocery anchored retail plaza  
21,000 sf of second floor office space  
2.0 acre residential development site

## Commercial/Office Details:

8 year average lease term  
96% occupancy  
84% national tenants  
Sunlife = 56% of revenue  
33,000 sf grocer to open Sept 18

## Acquisition Details:

\$77.8 million  
5.7% yield





# Q1-2018 Acquisitions – Westmount Place, Waterloo



## Future Development



Future Development  
Westmount Place, Waterloo

### Development Opportunity:

- 560 units
- 3-phase development
- Construction expected to begin in late 2019/early 2020
- Opportunity to create over \$70 million of unitholder value through the development of 560 units



## Future Development

### Description:

32,548 sf development site located adjacent Grid 5 and another site purchased in 2015

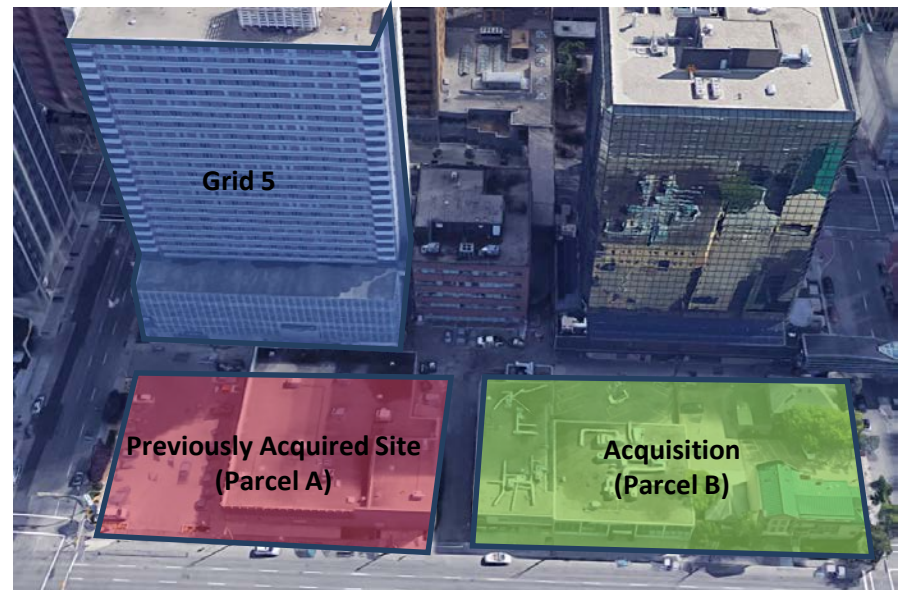
Combined expected to support three towers totalling 970 units

### Location:

5<sup>th</sup> Street Southwest and 4<sup>th</sup> Avenue Southwest  
Adjacent Grid 5

### Acquisition Details:

\$7.2 million (40% interest)



## Future Development

### Description:

1.8 acre development site including a small commercial building and a heritage residence

Opportunity to develop a 163-unit apartment building

### Location:

Downtown Kitchener

### Acquisition Details:

\$6.0 million





# Q1-2018 – Development Activity

## Cambridge, ON - Saginaw Park is complete.



### Key Statistics

Number of units	93
Start date	Q3-2016
Completion date	April-2018
Project Budget (\$ millions)	\$25.5
Cost per unit (\$ thousands)	\$274,000
Market Cap Rate	4.0%
Fair Value on Completion	\$34
Value Creation (\$ millions)	\$8.5



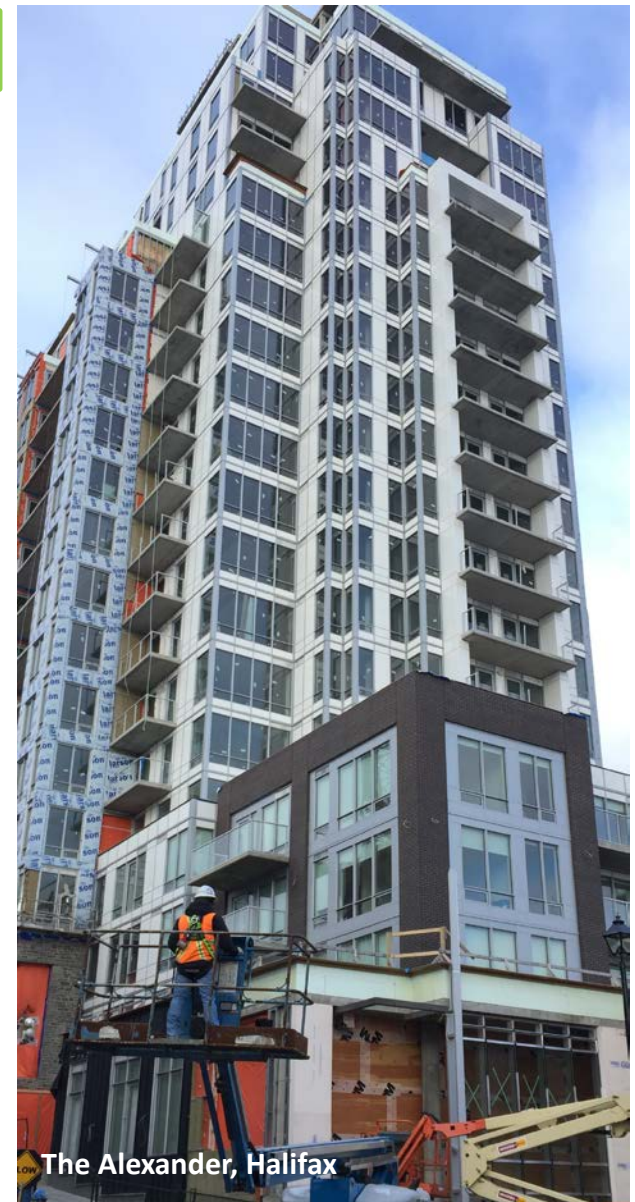
# Q1-2018 – Development Activity

## Halifax, NS - The Alexander to be completed in Sept 2018.

### Key Statistics

Number of units/ Commercial square feet (SF)	240 units/ 6,350 SF
Start date	2016
Completion date	Q3-2018
Project Budget (\$ millions)*	\$39.75
Cost per unit (\$ thousands)	\$320,000
Market Cap Rate	4.5%
Fair Value on Completion*	\$43.0
Value Creation (\$ millions)*	\$3.25

\* Killam's 50% interest.





## Ottawa, ON - Frontier, Phase One.



**The Frontier, Ottawa**

### Key Statistics

Number of units	227
Start date	2017
Completion date	Q2-2019
Project Budget (\$ millions)*	\$36.5
Cost per unit (\$ thousands)	\$320,000
Market Cap Rate	4.0%
Fair Value on Completion*	\$43.2
Value Creation (\$ millions)*	\$6.7

\* Killam's 50% interest.



## Silver Spear development to break ground in Q4-2018.

### Key Statistics

Number of units	128
Start date	Q4-2018
Estimated Completion date	Q4-2020
Project Budget (\$ millions)*	\$22.75
Cost per unit (\$ thousands)	\$356,000
Expected yield	5.4%
Fair Value on Completion (\$millions)*	\$28.5
Value Creation (\$ millions)*	\$6

\* Killam's 50% interest.



Silver Spear, Mississauga

**Killam has a \$760 million development pipeline.**

Future Development Opportunities		
Property	City	Units
Weber Scott Pearl	Kitchener, ON	163
Gloucester City Centre (Phase 2-4)*	Ottawa, ON	283
Grid 5 Land*	Calgary, AB	388
Westmount Place	Waterloo, ON	560
The Governor	Halifax, NS	48
Carlton Terrace	Halifax, NS	104
Kanata Lakes*	Ottawa, ON	40
Cameron Heights	Edmonton, AB	190
Medical Arts (Spring Garden)	Halifax, NS	200
Carlton Houses	Halifax, NS	80
Topsail Road	St. John's, NL	225
Block 4	St. John's, NL	80
<b>Total Development Opportunities</b>		<b>2,361</b>

\* Represents Killam's 50% interest in developments.

Killam targets yields of 5.0% - 6.0% on development, 50-150 bps higher than the expected cap-rate value on completion. Building out the \$760 million pipeline at a 100 basis point spread would create approximately \$200 million in net asset value for unitholders.



**Carlton Terrace, Halifax**



**Q1-2018  
Results  
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