



KILLAM
APARTMENT
REIT

Q4-2016
Results
Conference
Call

Feb 15, 2017
10 am Eastern

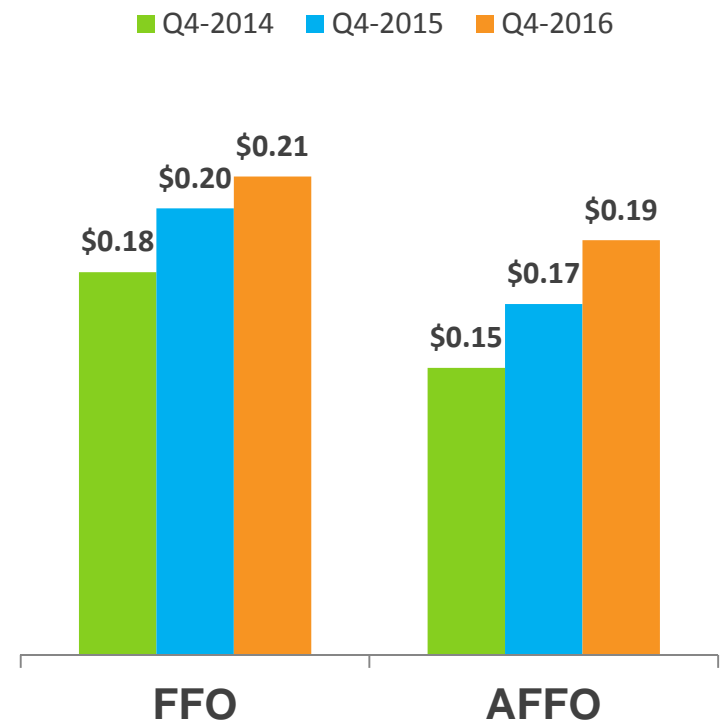
Cautionary Statement

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.

Highlights from Q4-2016

- Generated funds from operations (FFO) per unit of \$0.21, a 5.0% increase from \$0.20 in Q4-2015.
- Adjusted funds from operations (AFFO) of \$0.19, an 11.8% increase from Q4-2015.
- Increased same property rental revenue by 1.8%.
 - Occupancy up 40 bps to 96.1%.
 - Same property rents up by 1.6%.
- Achieved same property net operating income (NOI) growth of 1.8%.
- \$13.4 million acquisition completed in London Ontario.

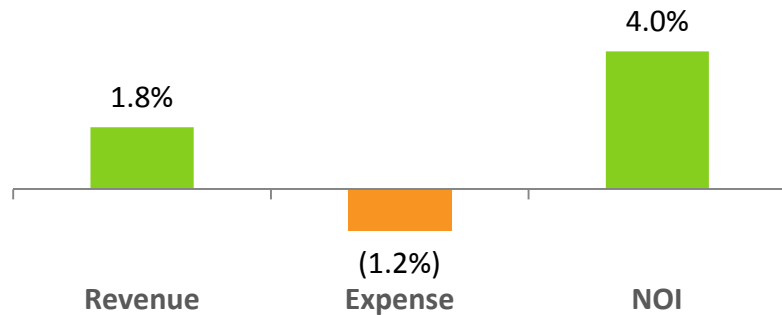
Q4 FFO & AFFO Per Unit



Highlights from 2016

- Generated FFO per Unit of \$0.86, 8.9% higher than \$0.79 in 2015.
- Increased same property rental revenue by 1.8%.
- Achieved same property NOI growth of 4.0%.

Same Property Portfolio Performance
For the year ended Dec 31, 2016



FFO per Unit

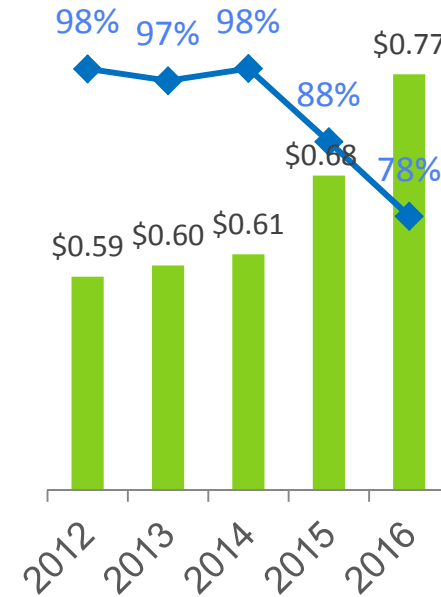
For the years ended Dec 31



Highlights from 2016

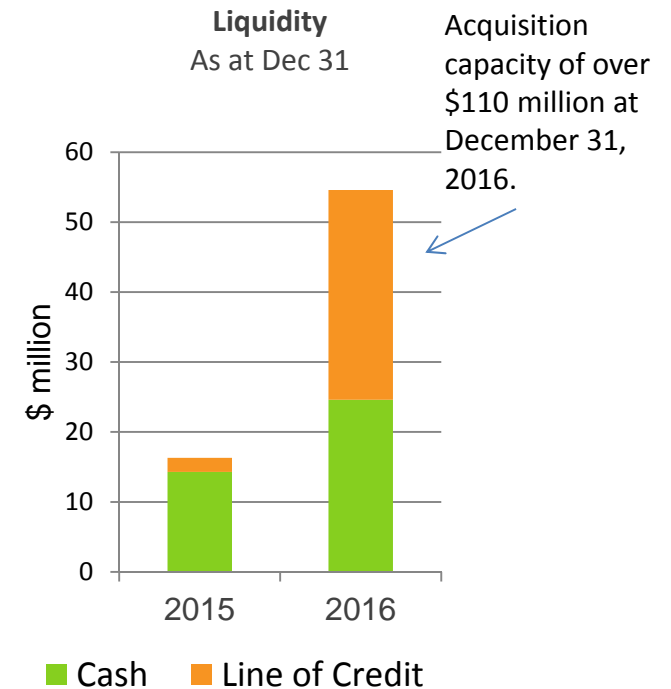
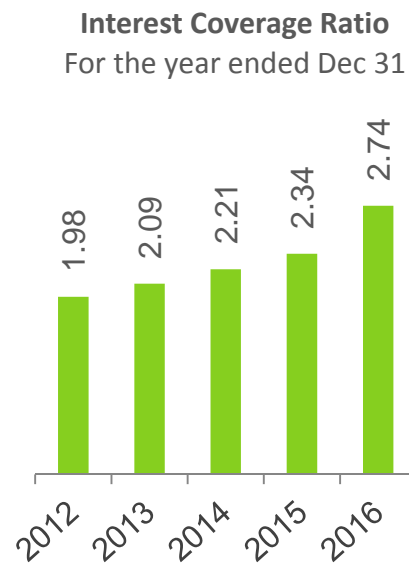
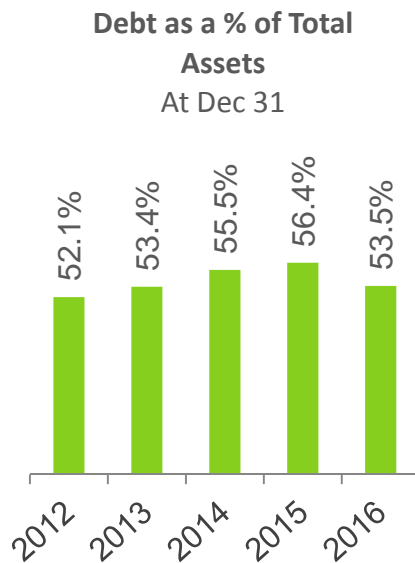
- Improved the AFFO payout ratio to 78%, from 88% in 2015.
- Invested \$24 million in developments in 2016 and completed Southport Apartments, Killam's 8th development.
- Completed \$72 million in acquisitions.
- Reduced the weighted average interest rate on mortgage debt to 3.01%, from 3.27% at December 31, 2015 with continued interest rate savings on refinanced mortgages.

AFFO and AFFO Payout Ratio



Highlights from 2016

- Strengthened balance sheet with reduced debt levels and increased capital flexibility with expanded line of credit.



Killam's Strategy for Growth

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

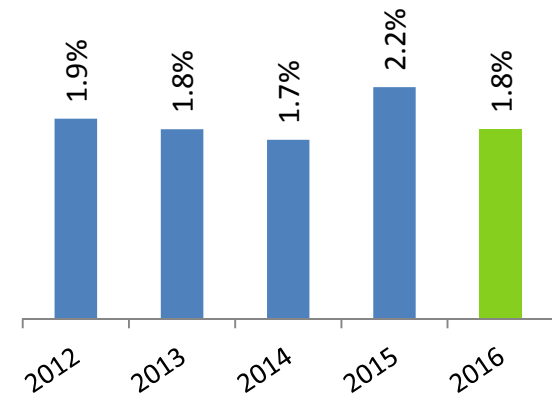


Increasing Revenues to Grow NOI

Revenue Growth
+
Expense Management
=
Increased NOI

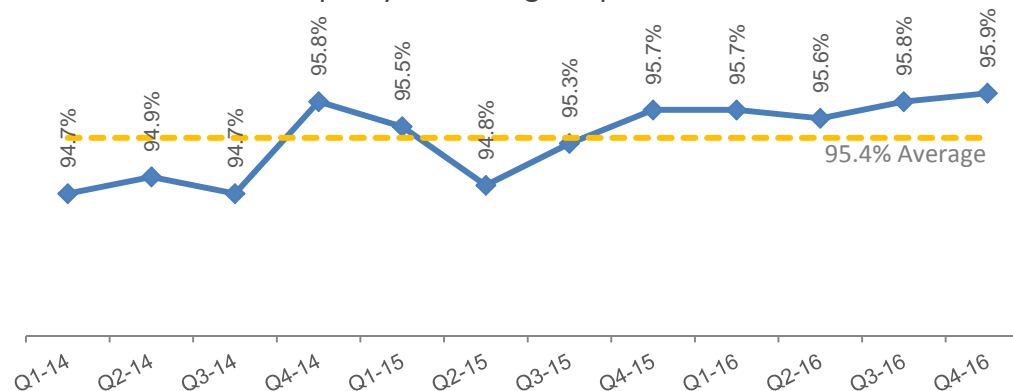
- ✓ Improved occupancy
- ✓ Growing rental rates
- ✓ Capital upgrades
- ✓ Quality product & service
- ✓ 90% tenant satisfaction rating

Historic Same Property Revenue Growth



Apartment Quarterly Occupancy

\$ occupancy as a % of gross potential rents ¹



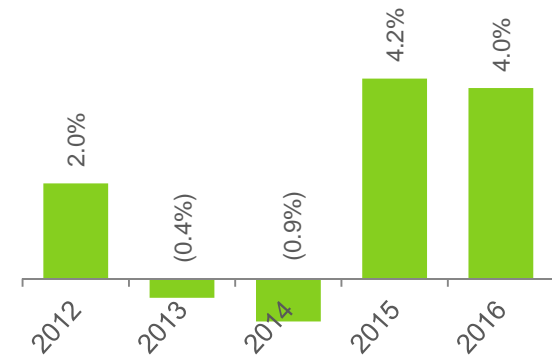
1. This measures dollar occupancy achieved and is typically ~1% lower than occupancy on a unit count basis at the end of each quarter, but is better management information.

Managing Expenses to Grow NOI

Revenue Growth
+
Expense Management
=
Increased NOI

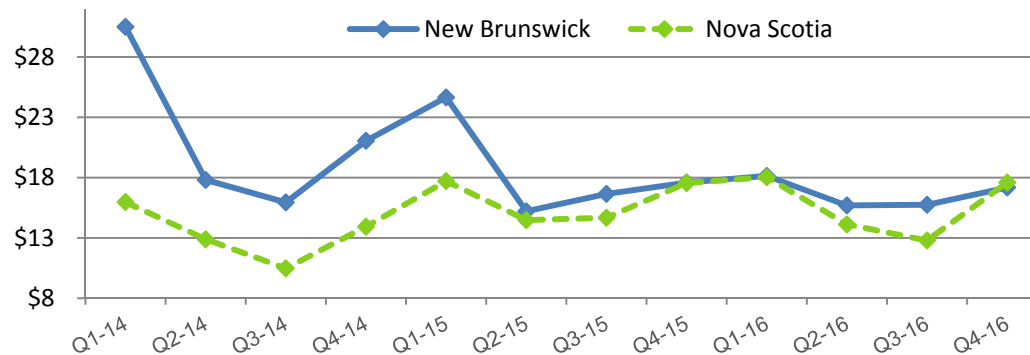
- Energy initiatives
- Water saving programs
- Maximizing economies of scale
- Employee training
- Investment in technology
- Tenant education

Same Property NOI Growth
2012-2016
Average Growth of 1.8%



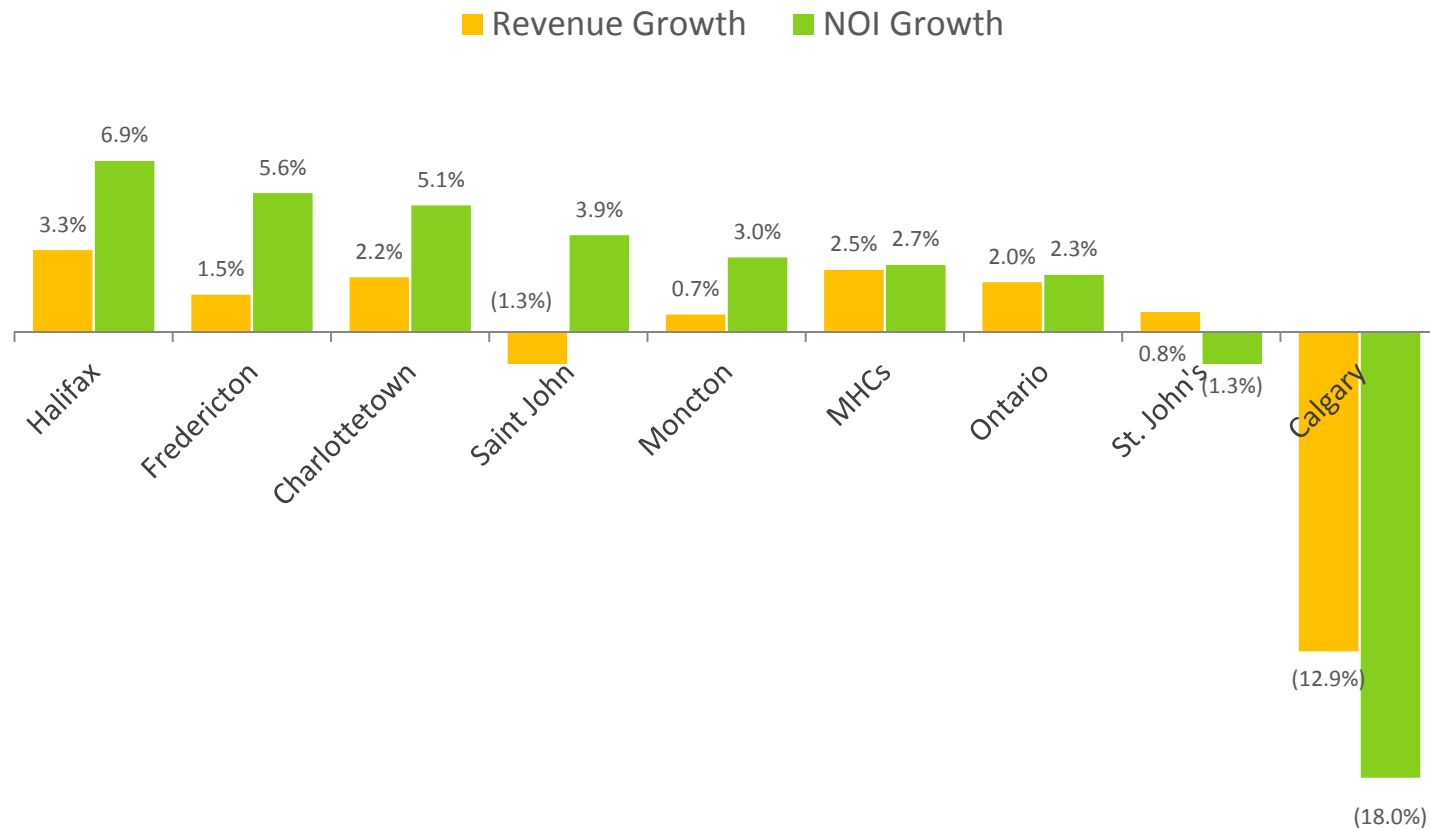
Killam has increased its same property NOI an average of 3.0% per year over the last 10 years.

Cost of Natural Gas per GJ in NS & NB
(includes delivery and commodity charges)



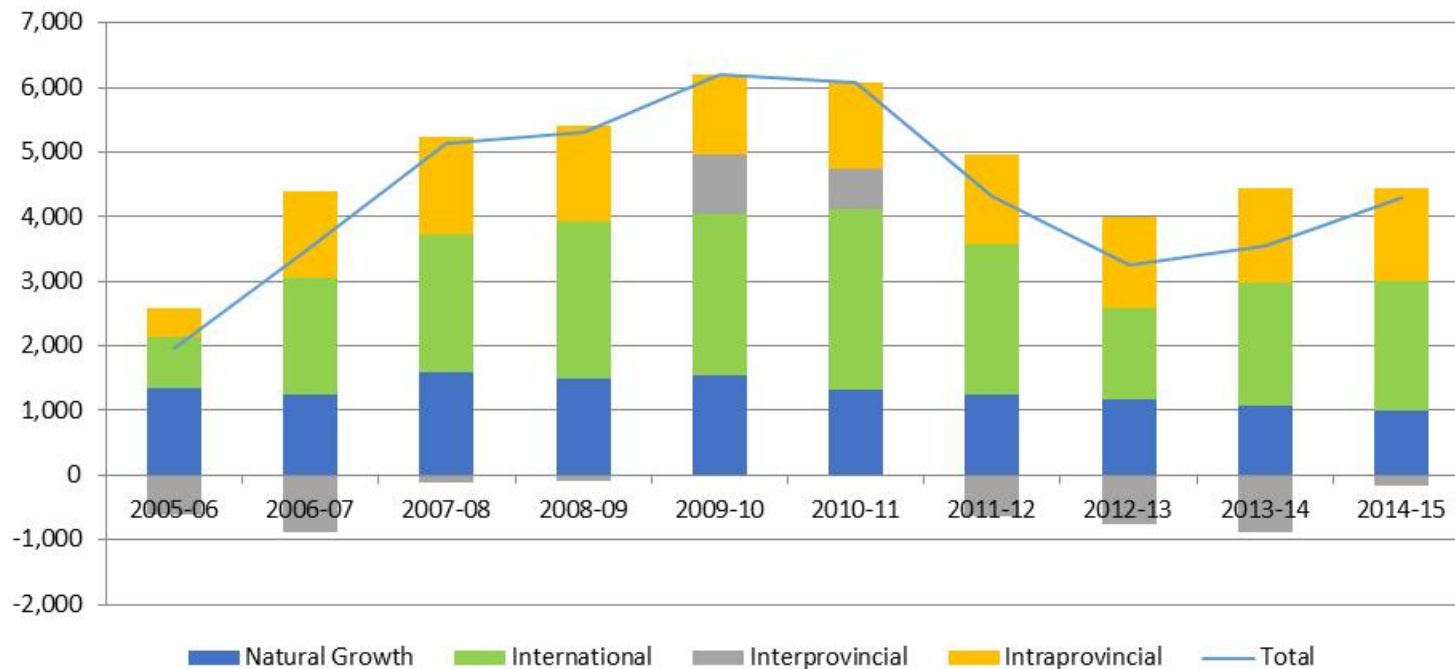
4.0% NOI Growth in 2016

2016 Same Property Performance



Population Growth Drivers in Halifax

**Historical Population Growth and Source, Halifax
Annually from July 1 - June 30**



Source: Stats Canada

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 million (\$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.

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: \$35 million (Killam's cost) (\$278,000/residential door)

Expected Yield: 5.5%

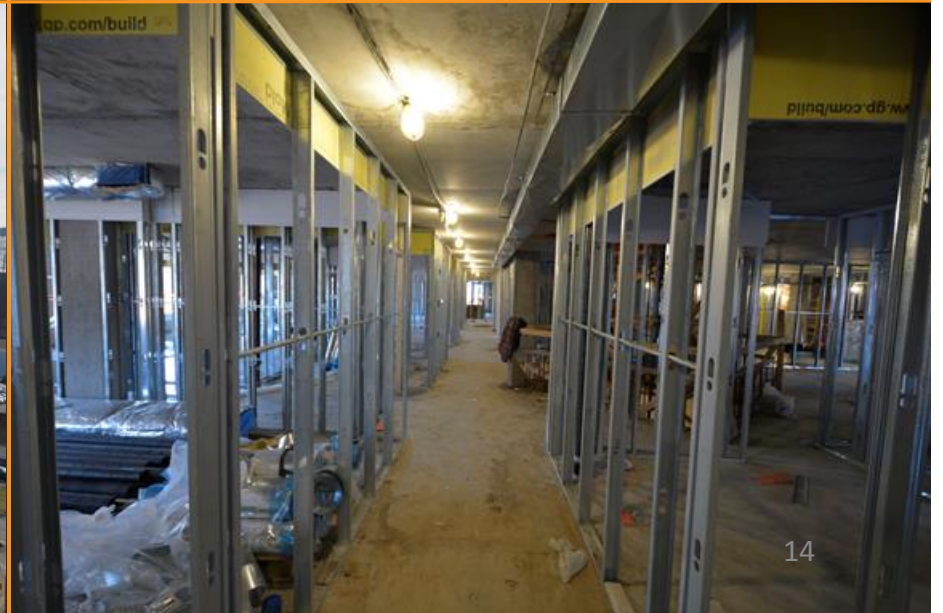
Expected Value: 4.75% cap rate

Average Unit Size: 740 sf

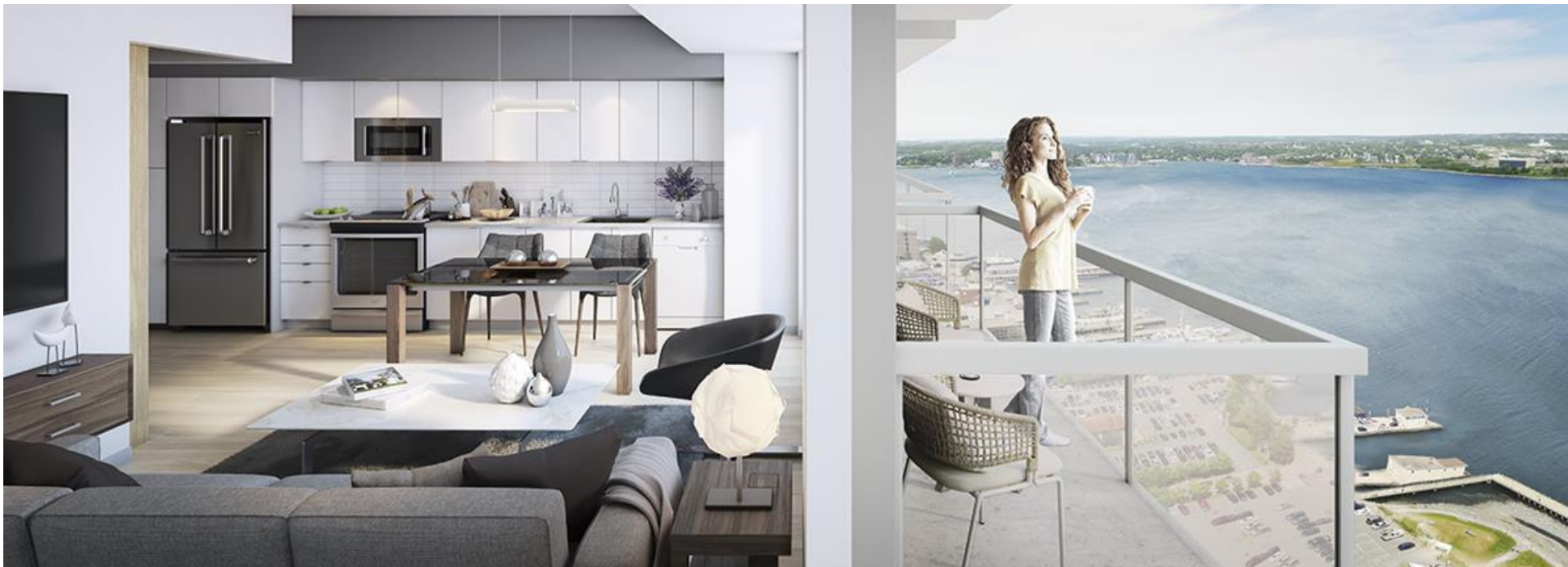
Average Rent: \$1,740 (\$2.35/sf)



The Alexander, Halifax



The Alexander, Halifax



The Alexander, Halifax



Saginaw Park, Cambridge

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: 4.75% cap rate

Average Unit Size: 1,025 sf

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



Saginaw Park, Cambridge



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



Kanata Lakes Apartments, Ottawa

Description:

268 units over two buildings

4th and 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

Closing 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



Kanata Lakes Apartments, Ottawa





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