



Q1-2020 RESULTS CONFERENCE CALL  
May 7, 2020 | 9AM EASTERN



KILLAM APARTMENT REIT

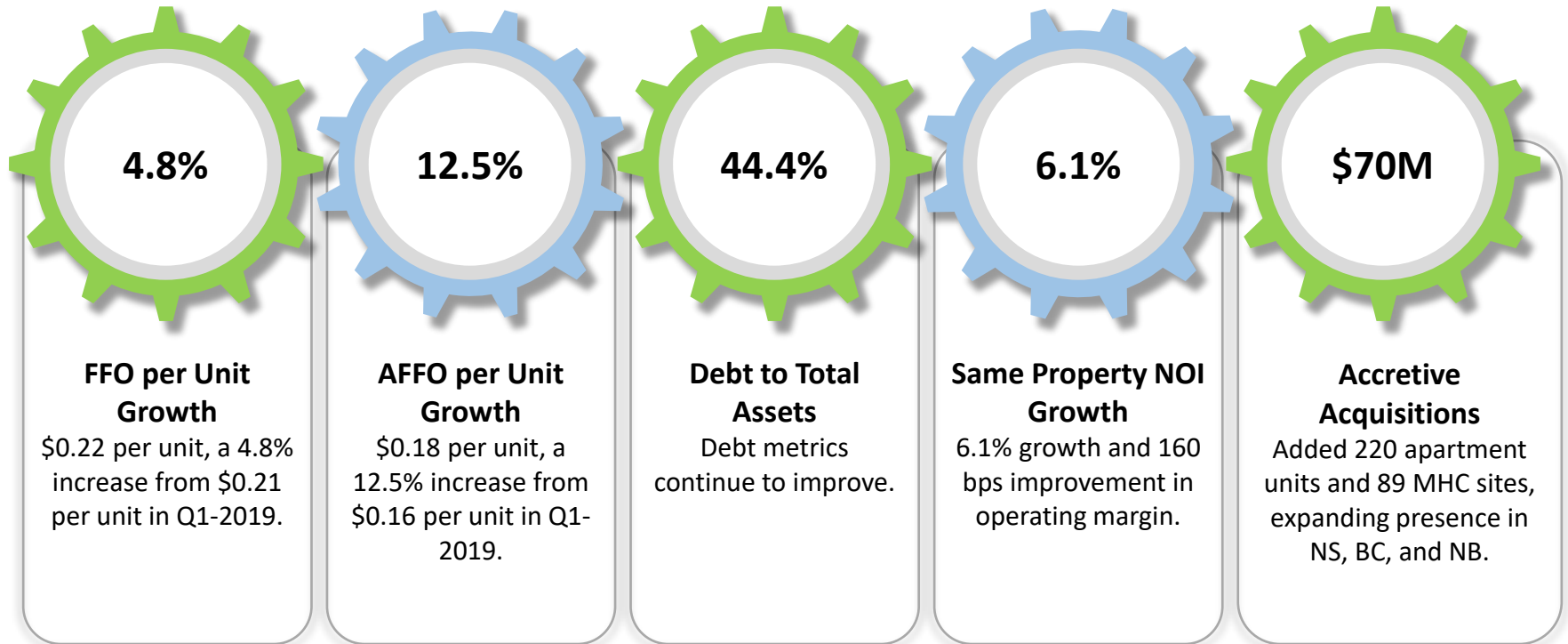




# Cautionary Statement

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, risks and uncertainties relating to the COVID-19 pandemic, 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.





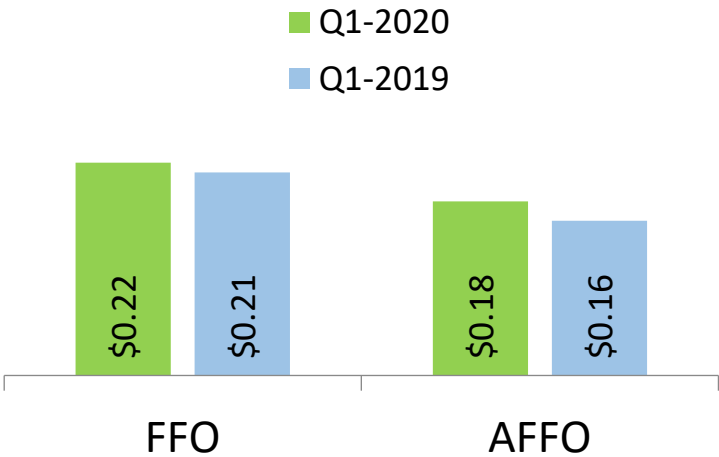
# Q1-2020 | Financial Highlights



## Strong FFO and same property NOI growth

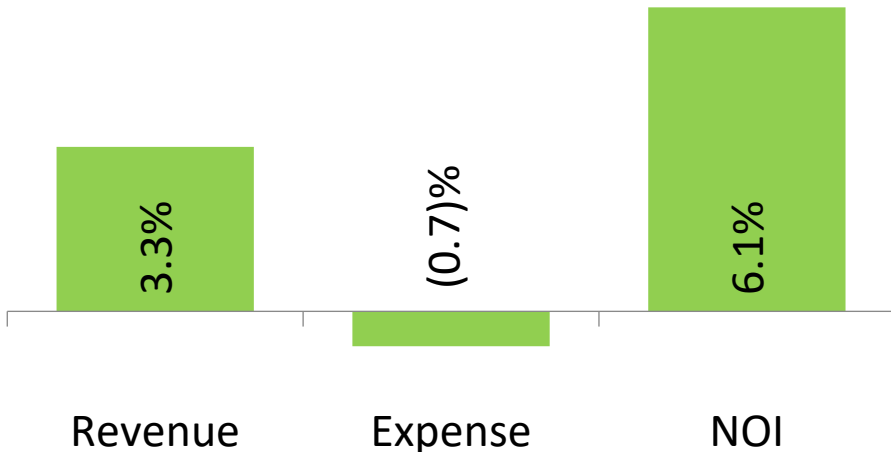
- Generated FFO per unit of \$0.22, 4.8% increase from Q1-2019.
- Produced AFFO per unit of \$0.18, 12.5% increase from Q1-2019.
- Strong rental rate growth and a reduction in operating expenses resulted in a 6.1% NOI increase and 160 bps increase in operating margin from Q1-2019.

### Q1 FFO & AFFO Per Unit



### Same Property Portfolio Performance

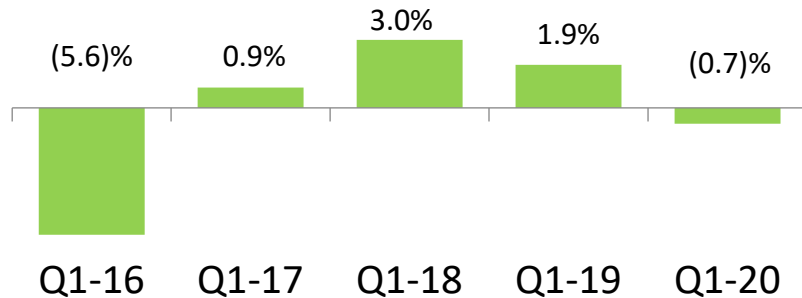
For the three months ended March 31, 2020



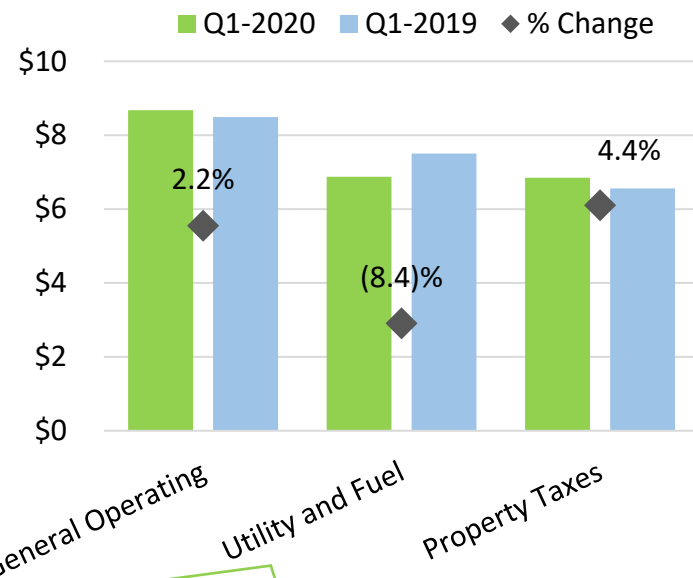
## Lower heating fuel and energy expenses drove expense savings in Q1.

- Invested in energy and water conservation initiatives.
- Reduced consumption due to mild winter.
- Lower natural gas prices.
- Maximizing economies of scale.
- Successfully appealing property tax assessments.

### Same Property Expense Growth

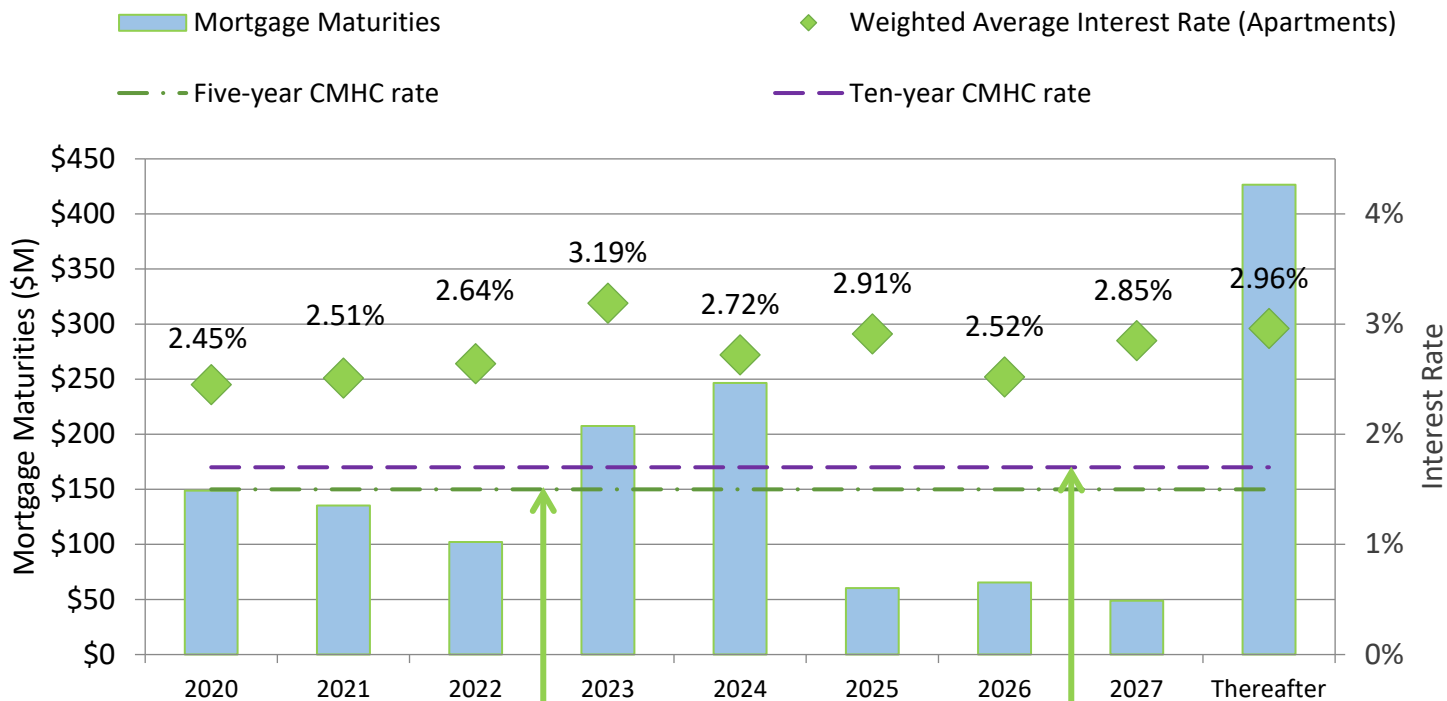


### Same Property Expense Change by Category (\$M)



Decrease in utility and fuel expense as a result of decreases in natural gas and heating oil pricing and consumption in NS, NB and ON.

## Apartment Mortgage Maturities by Year As at March 31, 2020



**Current  
Weighted  
Average  
Interest Rate of  
2.86%**

**87% of  
Apartment  
Mortgages  
CMHC Insured**

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

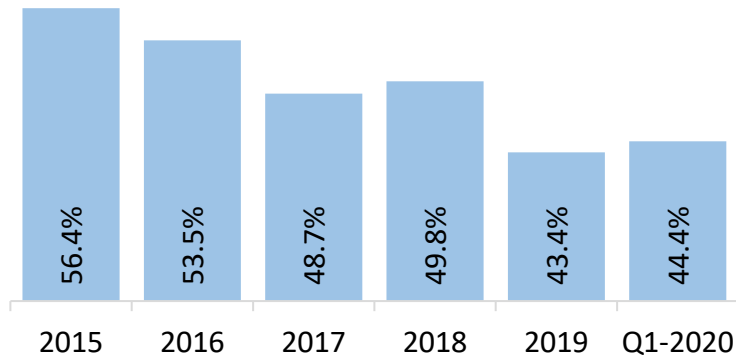
Killam's mortgage refinancing program has remained on schedule during the COVID-19 pandemic.

Current rate for 5-year and 10-year CMHC insured debt is approximately 1.5% and 1.7%, although rates have been volatile during the COVID-19 pandemic.

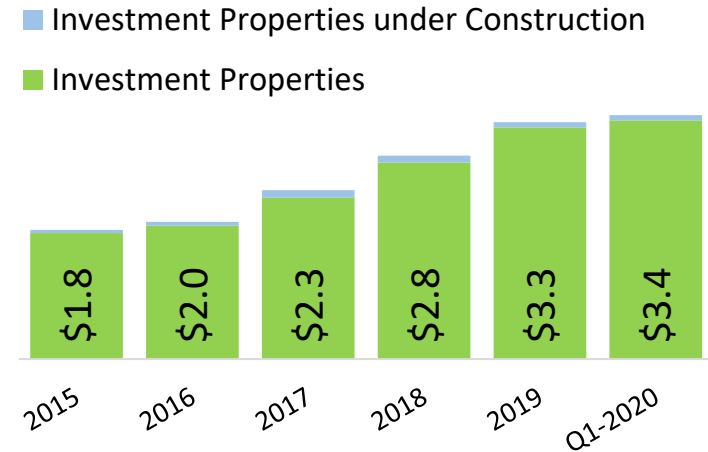
# Q1-2020 | Financial Highlights

Increasing value of investment properties with conservative debt metrics.

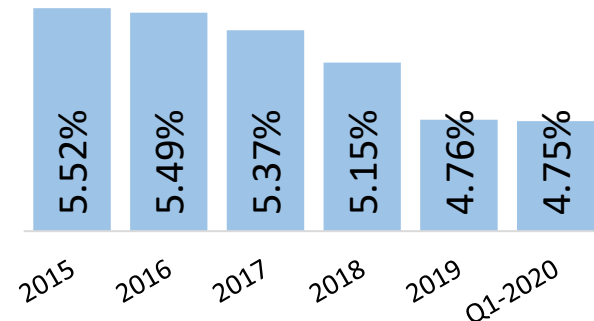
## Debt as a % of Assets



## Investment Properties (\$ billions)



## Weighted Average Apartment Cap-Rates







**Killam's strategy to increase FFO, NAV and maximize value is focused on three priorities:**



Increase earnings from existing portfolio.



Expand the portfolio and diversify geographically through accretive acquisitions, targeting newer properties.

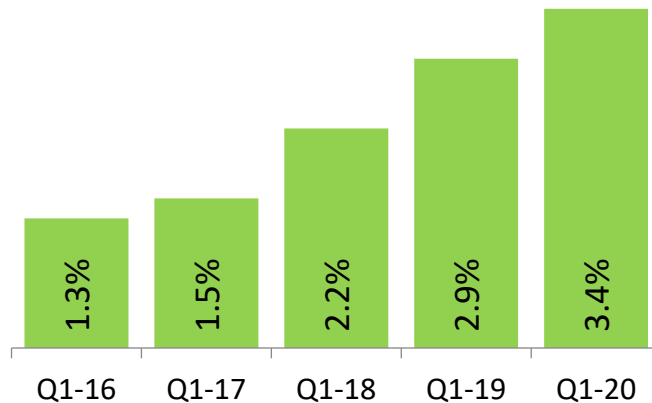


Develop high-quality properties in Killam's core markets.

# Q1-2020 | Revenue Drivers – Long-term Strength

With strong occupancy levels, rental rate growth is a key longer-term focus for Killam.

**Apt Same Property Avg  
Rental Rate Increase**



## Strong revenue growth in Q1-2020

Increasing rental rates: Rate increases on renewals of **2.1%**, on turns of **6.1%** and repositionings of **28.4%**, averaged **3.4%** for Q1-2020.

Short-term Limitations	Longer-term Opportunities
<ul style="list-style-type: none"><li>• Suspend rental increases</li></ul>	<ul style="list-style-type: none"><li>• Renovation program well established</li></ul>
<ul style="list-style-type: none"><li>• Experiencing lower turnover</li></ul>	<ul style="list-style-type: none"><li>• Expect demand to exceed supply</li></ul>
<ul style="list-style-type: none"><li>• Supply &amp; demand drivers are halted</li></ul>	<ul style="list-style-type: none"><li>• Expect mark-to-market opportunities</li></ul>



# Q1-2020 | Revenues Drivers - Renovations

**Driving revenues** through unit repositions to meet market demand, **maximize NOI growth** and investment returns.

## Q1-2020 Actuals

- **95** unit repositions
- **13%** ROI
- **\$25K** avg investment

## 2020 Program

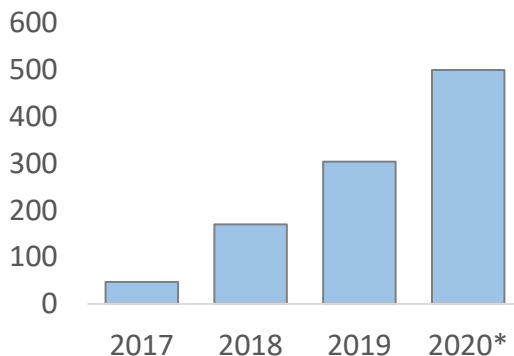
- **300-500** unit repositions
- **~\$7-12M** investment
- **~\$1.0-1.7M** annualized revenue
- Note: Unit renovations have continued where safe and in compliance with social distancing measures.

## Total Opportunity

- **3,000** unit repositions
- **\$70-80M** investment
- **\$10M** annualized revenue

Based on a 5% cap rate this investment would increase the NAV by ~\$200M

## Repositioned Units



\*forecast

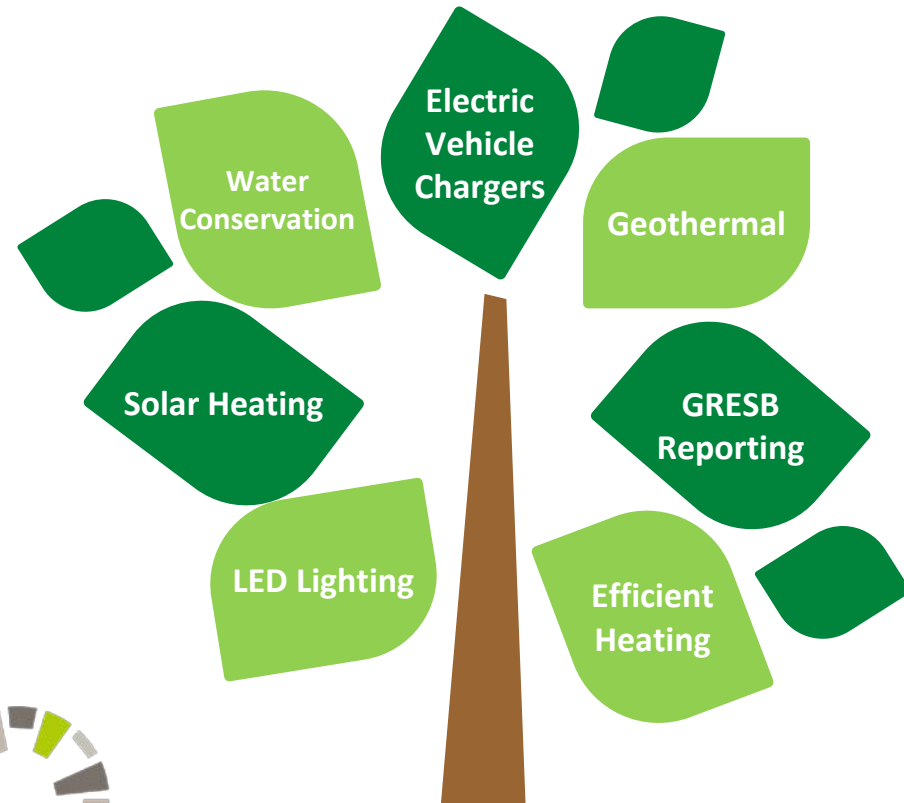
Killam's online functionality is providing considerable benefits during this period of social distancing. Leasing agents, maintenance employees and all property management functions can be done virtually to deliver high-quality service to residents and prospective residents.



Along with maximizing the functionality of its current suite of products, Killam is focused on its business intelligence platform to expand the use of data analytics to drive leasing decisions, optimize rental growth and maximize returns.

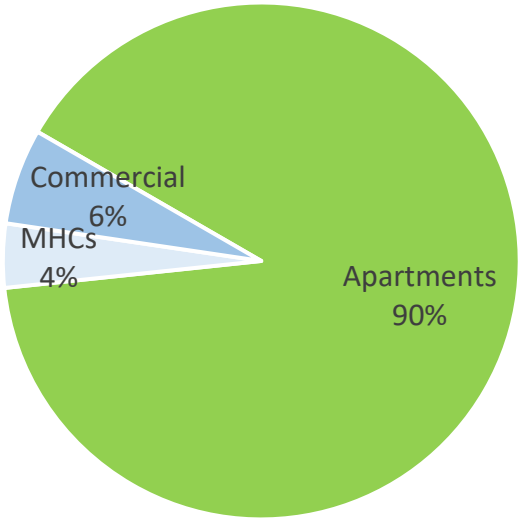
Killam continues to build on its current successes to make its buildings **more sustainable** and **resilient** to the impacts of climate change.

- Focused on increased disclosure and public reporting on ESG initiatives, issuing our [2019 ESG Report](#)
  - In accordance with GRI Standard: Core Option
  - 2018 & 2019 GHG emissions data independently reviewed
- Investing \$5 million annually in energy efficient initiatives.
- Working on Killam's second GRESB submission.

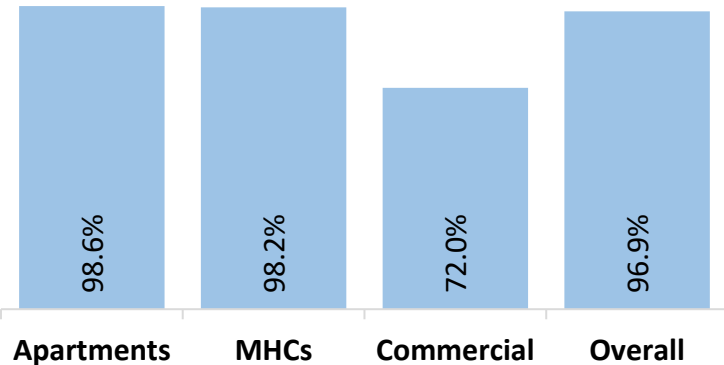




Avg Monthly Rental Revenue



April 2020 Rent Collection



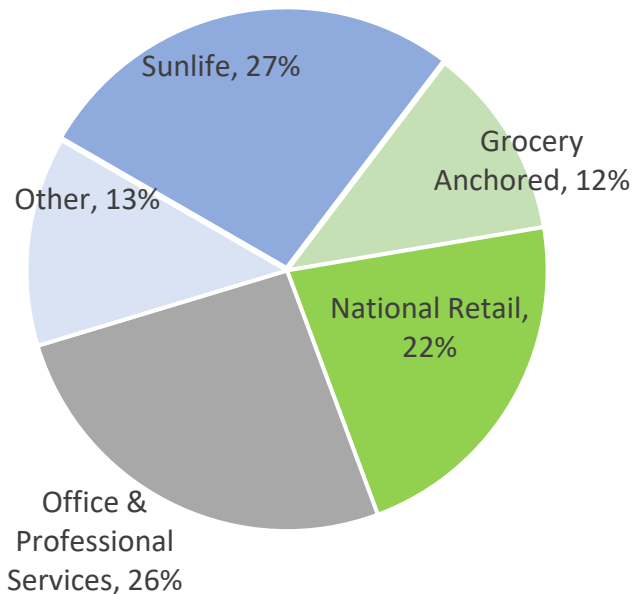
Killam is working on April's arrears and seeking rent deferrals arrangements with commercial and residential tenants on a case-by-case basis.

# Q1-2020 | Killam's Commercial Portfolio

Killam's current gross commercial revenue = 6% of projected 2020 revenues.

## Commercial

(% of total gross commercial revenue)



	Tenant	% of Commercial Rent
1	SunLife Assurance	26.7%
2	Loblaws	5.5%
3	Co-op Atlantic	4.7%
4	Labatt Breweries	3.7%
5	Trampoline Creative	2.5%
6	Beechwood Pharmacy	2.2%
7	Ubisoft Inc.	2.0%
8	Michaels	2.0%
9	Solid State Pharma	1.8%
10	Sport Chek	1.7%
	<b>Total Top 10 Tenants</b>	<b>52.8%</b>

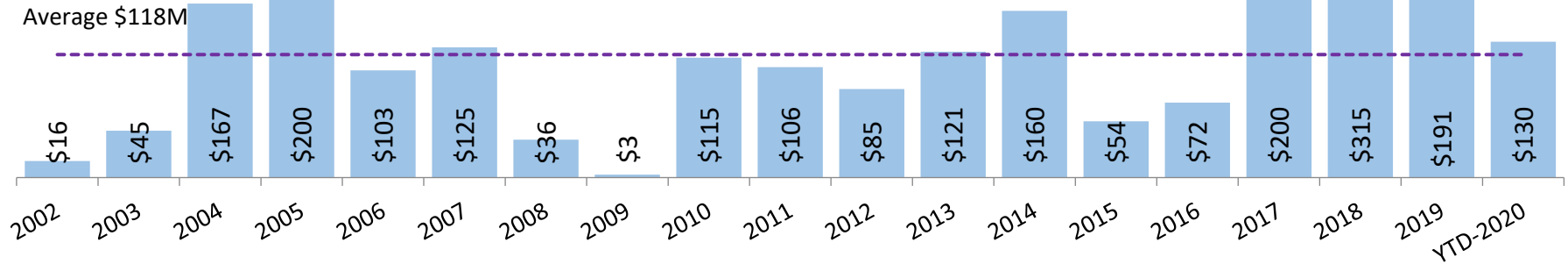
# Q1-2020 | Acquisitions

	Property	Location	Acquisition Date	Ownership Interest (%)	Property Type	Purchase Price <sup>(1)</sup> (\$M)
1	Christie Point	Victoria, BC	Jan 15, 2020	100%	Apartment	\$54,000
2	9 Carrington	Halifax, NS	Jan 31, 2020	100%	Apartment	8,800
3	Domaine Parlee	Shediac, NB	Mar 23, 2020	100%	MHC	3,950
4	1323-1325 Hollis	Halifax, NS	Mar 31, 2020	100%	Apartment	3,700
5	<b>Total Q1 Acquisitions</b>					<b>\$70,450</b>
6	Belmont Crossing	Langford, BC	April 30, 2020	100%	Apartment	60,000
7	<b>Total YTD Acquisitions</b>					<b>\$130,450</b>

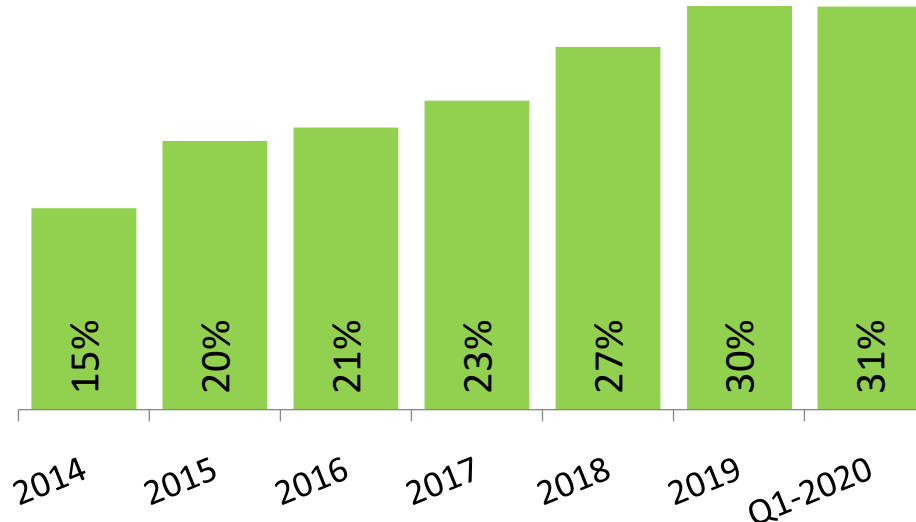
(1) Purchase price does not include transaction costs.



## Annual Acquisitions (\$ millions)



## NOI Generated Outside Atlantic Canada



Killam continues to expand the portfolio and diversify geographically through accretive acquisitions, targeting newer properties.

# Q2-2020 Acquisitions | Langford, BC

## Description:

156 units

2 apartment buildings with 1 and 2 bedroom units

Average rent – \$1,868/month (\$2.61/sf)

## Acquisition Details:

\$60 million

4.4% capitalization rate

88% leased

Closed: April 30, 2020

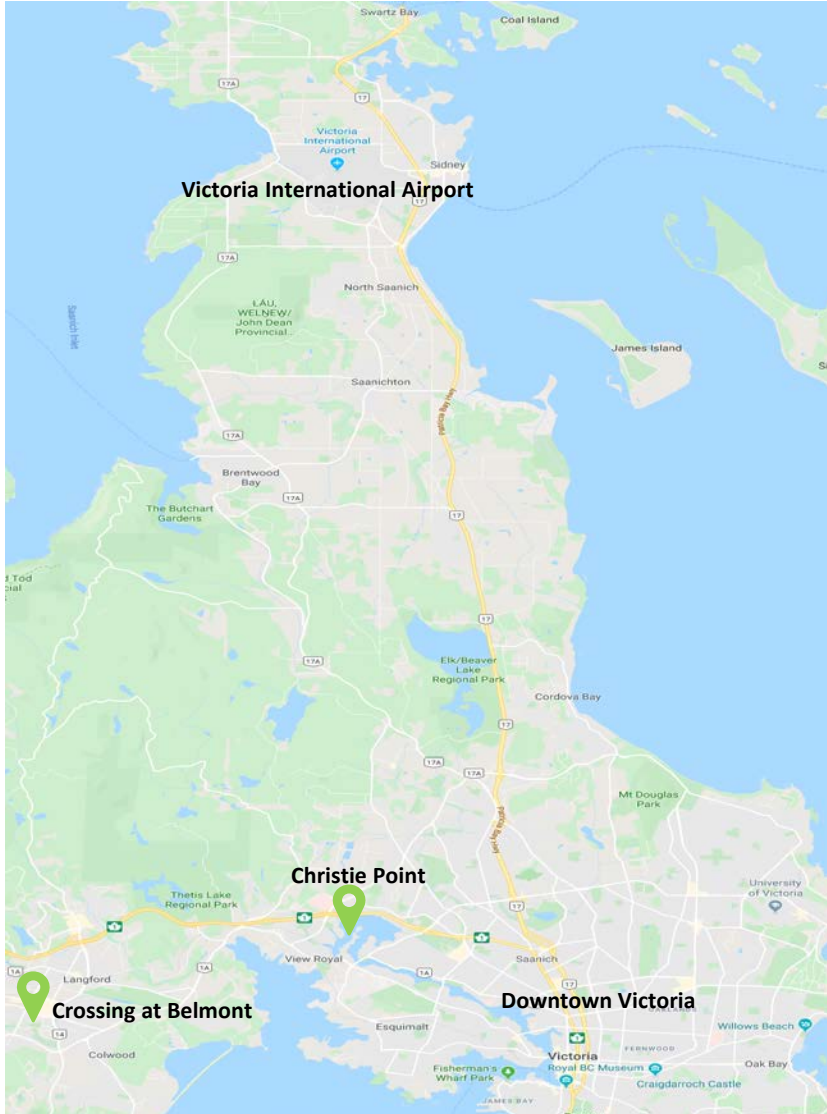
## Location:

Langford, BC





# Q2-2020 Acquisitions | Langford, BC







**CROSSING**  
AT BELMONT  
— URBAN RENTAL LIVING —

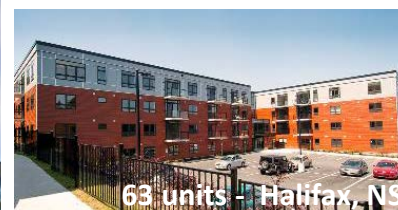




# Q1-2020 | Development Success



**Projects Completed  
2013 – 2020**  
Value today - \$348M  
Cost to build - \$278M  
Gain - \$70M (25%)

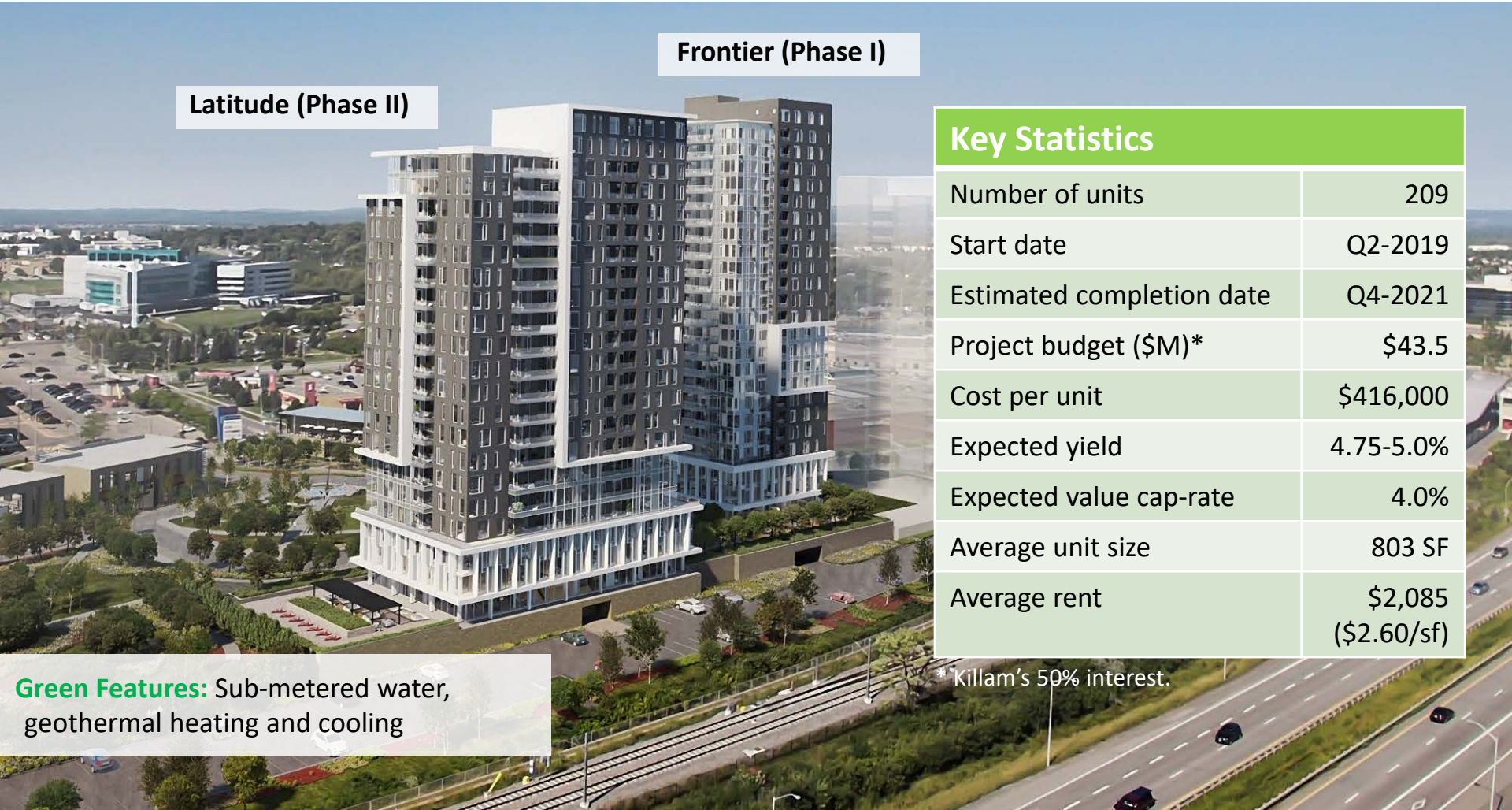


Approximately \$300 million in completed developments.



# Q1-2020 | Development Activity, Ottawa

Ottawa, ON - **Phase II (Latitude)** of Gloucester City Centre



Latitude (Phase II)

Frontier (Phase I)

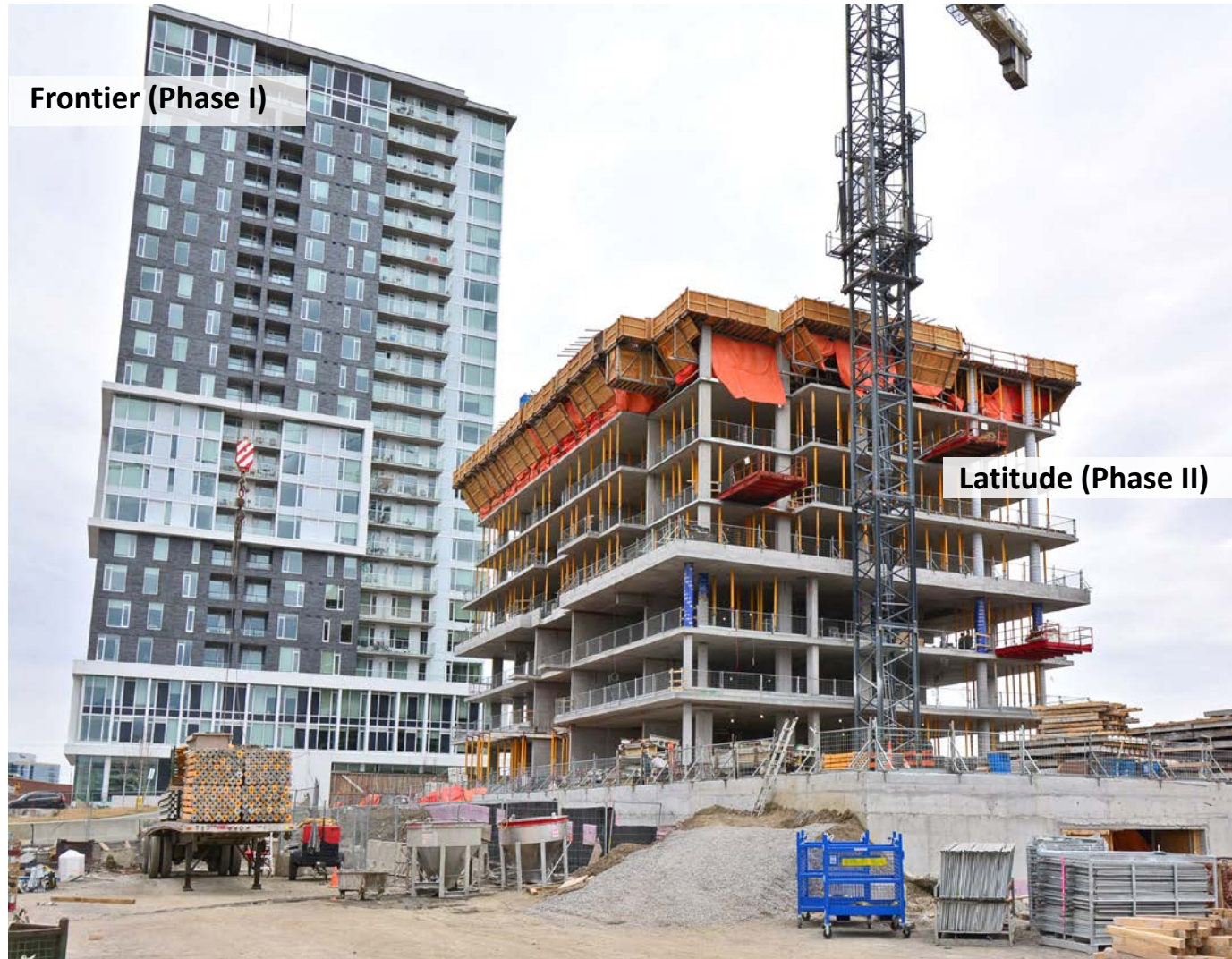
## Key Statistics

Number of units	209
Start date	Q2-2019
Estimated completion date	Q4-2021
Project budget (\$M)*	\$43.5
Cost per unit	\$416,000
Expected yield	4.75-5.0%
Expected value cap-rate	4.0%
Average unit size	803 SF
Average rent	\$2,085 (\$2.60/sf)

\* Killam's 50% interest.

**Green Features:** Sub-metered water, geothermal heating and cooling

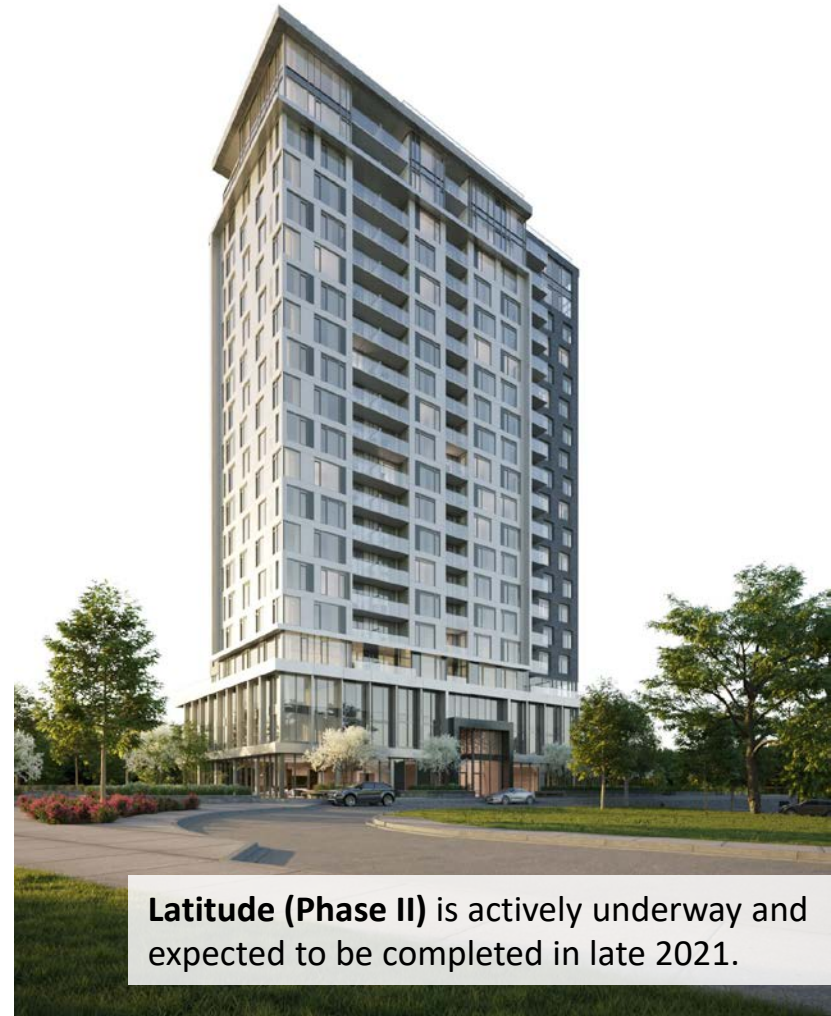
**Latitude** development has experienced slow downs during April. At this time, this second phase of the Gloucester City Centre is expected to be completed in late-2021.





# Q1-2020 | Development Activity, Ottawa

Latitude (Phase II)

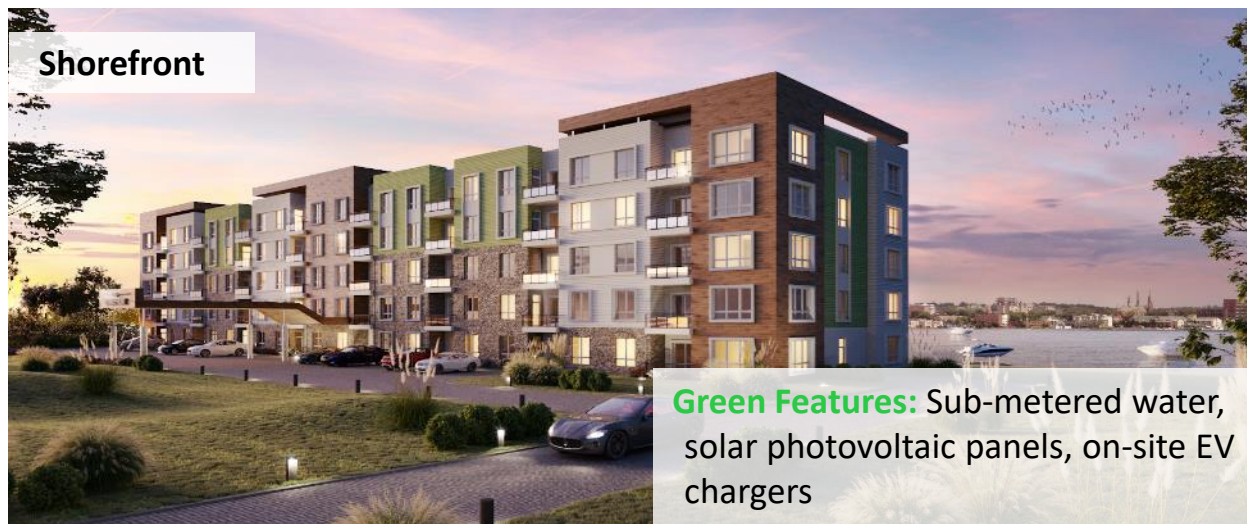


**Latitude (Phase II)** is actively underway and expected to be completed in late 2021.

**Shorefront** development broke ground in October 2018.

## Key Statistics

Number of units	78
Start date	Q4-2018
Estimated completion date	Q3-2020
Project budget (\$M)	\$22.0
Cost per unit	\$282,000
Expected yield	5.25-5.5%
Expected value	4.75-5.0%





# Q1-2020 | Development Activity, Charlottetown

The **Shorefront** development has experienced slight delays during April and anticipates opening in September 2020.

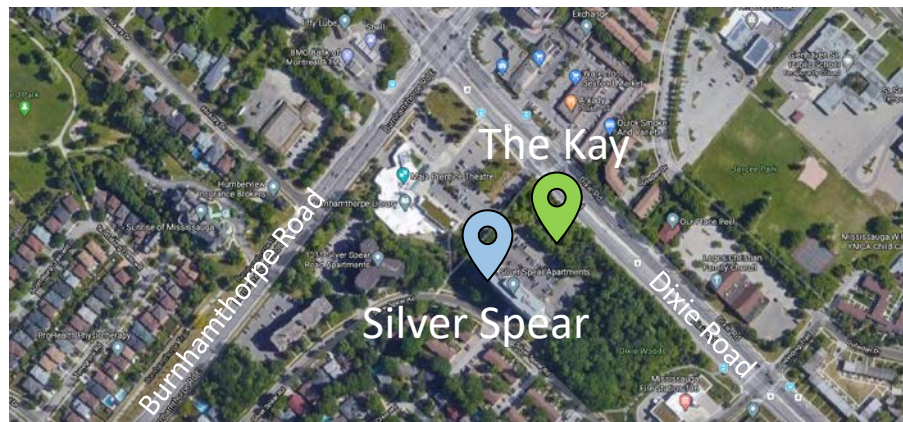
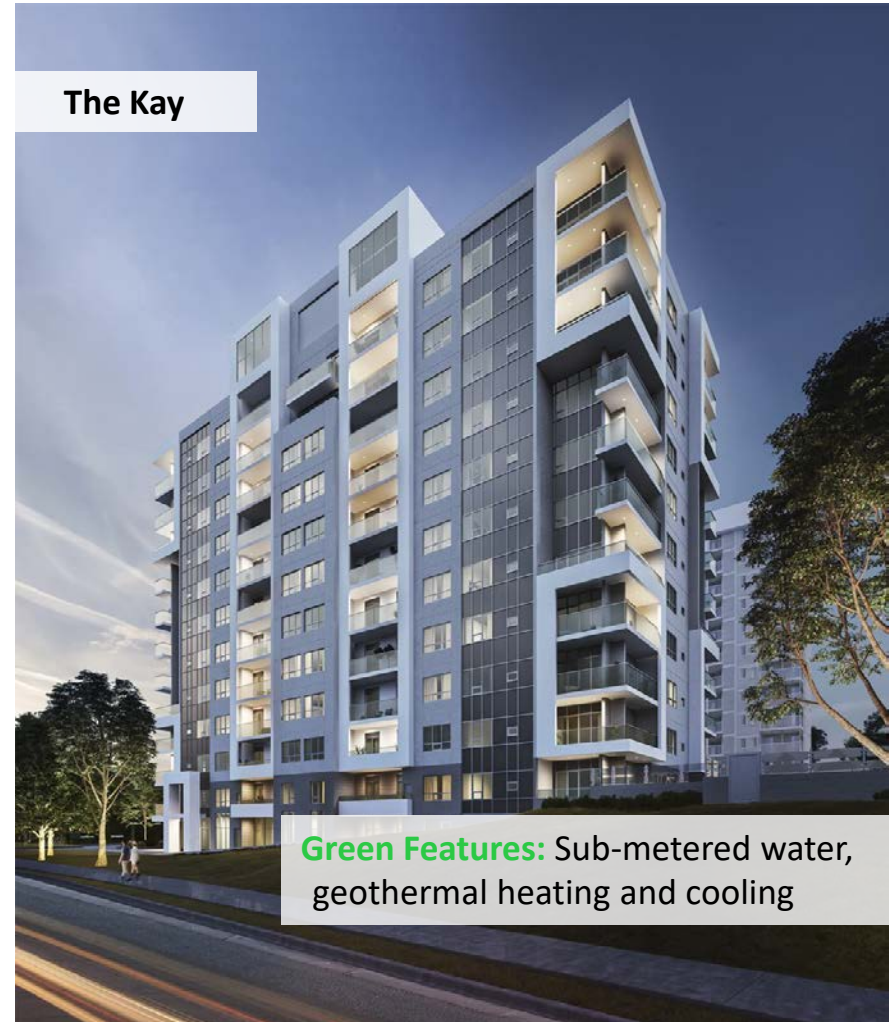


Shorefront Progress Photos

The **Key** development broke ground in Q3-2019.

## Key Statistics

Number of units	128
Start date	Q3-2019
Estimated completion date	Q1-2022
Project budget (\$M)	\$56.0
Cost per unit	\$437,500
Expected yield	4.75-5.0%
Expected value cap-rate	3.5%







The Kay

**The Kay** development is currently experiencing some slow downs but still progressing and is expected to be completed in early 2022.



# Q1-2020 | Development Activity, Mississauga



The Kay

## 10 Harley Street – 38-unit redevelopment in Charlottetown.



10 Harley

### Key Statistics

Number of units	38
Start date	Q3-2019
Estimated completion date	Q4-2020
Project budget (\$M)	\$10.4
Cost per unit	\$274,000
Expected yield	5.0-5.25%
Expected value	4.75-5.0%



- Original building was three storeys and 29 units.
- Rebuild has increased the size to four storeys and 38 units.
- Insurance proceeds from the loss are covering a portion of the reconstruction costs.



# Q1-2020 | Development Pipeline - ~\$850 million



Future Development Opportunities					
Property	Location	Killam's Interest	Potential # of Units <sup>(1)</sup>	Status	Est Year of Completion
<u>Developments expected to start in the next 24 months</u>					
The Governor	Halifax, NS	100%	12	In design and approval process	2023
Weber Scott Pearl	Kitchener, ON	100%	170	In design and approval process	2023
Westmount Place (Ph 1)	Waterloo, ON	100%	114	In design and approval process	2023
<u>Developments expected to start in 2022-2026</u>					
Haviland Street	Charlottetown, PE	100%	99	In design and approval process	2024
Carlton Terrace	Halifax, NS	100%	104	In design	2024
Carlton Houses	Halifax, NS	100%	80	In design	2024
Gloucester City Centre (Ph 3-4)	Ottawa, ON	50%	200	In design	2025
Westmount Place (Ph 2-5)	Waterloo, ON	100%	908	In design	2028
<u>Additional future development projects</u>					
Gloucester City Centre (Ph 5)	Ottawa, ON	50%	100	In design and approval process	TBD
Kanata Lakes	Ottawa, ON	50%	40	In design and approval process	TBD
Christie Point	Victoria, BC	100%	312	Future development	TBD
Medical Arts	Halifax, NS	100%	200	Future development	TBD
Topsail Road	St. John's, NL	100%	225	Future development	TBD
Block 4	St. John's, NL	100%	80	Future development	TBD
<b>Total Development Opportunities</b>			<b>2,644</b>		

(1) Represents Killam's interest/# of units in the potential development units.

~ 70% of Killam's development pipeline is outside Atlantic Canada. Killam targets yields of 4.75% to 5.5% on development, 50–150 bps higher than the expected cap-rate value on completion. Building out the \$850 million pipeline at a 100 bps spread would create approximately \$200 million in NAV growth for unitholders.



# Appendices



# Q1-2020 Performance | Halifax



The Halifax rental market is strong with overall occupancy of 98.6%.

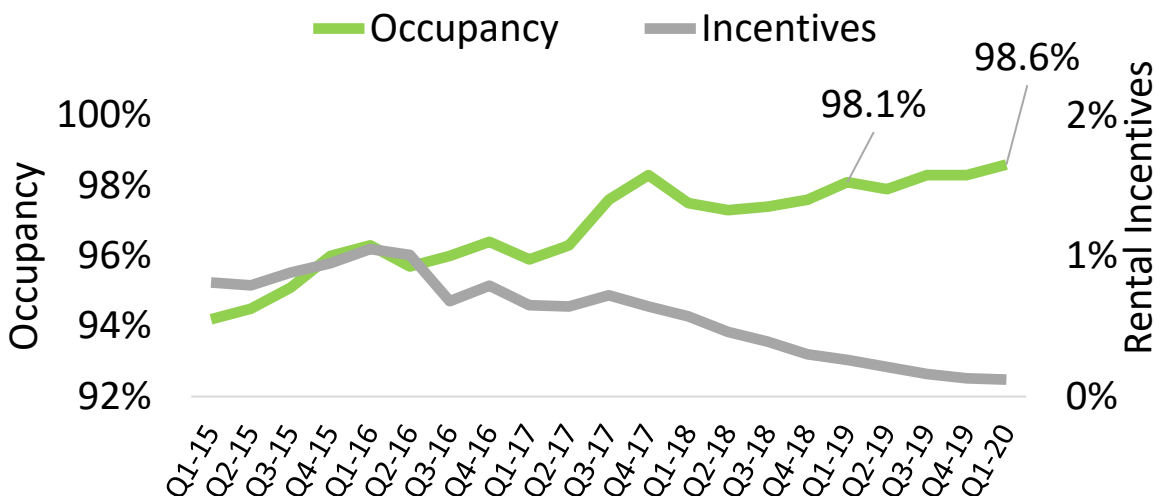
## Current Market Conditions (per CMHC in Jan 2020)

- Strong demand as population growth from immigration, intraprovincial migration and demographics continues to outpace new supply.
- Increasing supply with rising number of rental units under construction, CMHC expects immigration to occupy new supply.
- Occupancy forecast to increase only modestly over the coming years.

## Killam's Same Property Performance

Halifax Q1-2020	
% of NOI	34.9%
Units	5,814
Rental Rate Growth	3.8%
Occupancy	98.6%
NOI Growth	8.7%

## Killam's Halifax Same Property Results



# Q1-2020 Performance | New Brunswick



Population growth coupled with limited construction has resulted in record high occupancy of 98.2%.

## Current Market Conditions (per CMHC in Jan 2020)

- Population growth from increased interprovincial and international migration boosts rental demand in 2019, along with downsizing seniors.
- Fewer apartment starts in recent years has contributed to improved occupancy.
- Higher rental increases in all three major markets.

## Killam's Same Property Performance

### New Brunswick Q1-2020

% of NOI **19.2%**

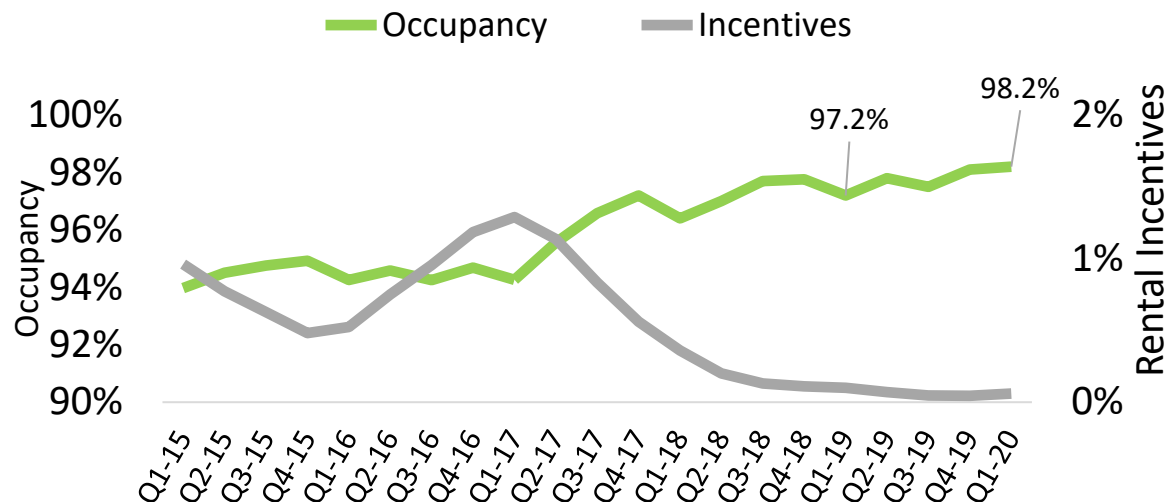
Units **4,631**

Rental Rate Growth **3.4%**

Occupancy **98.2%**

NOI Growth **12.1%**

## Killam's NB Same Property Results





# Q1-2020 Performance | Ontario



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

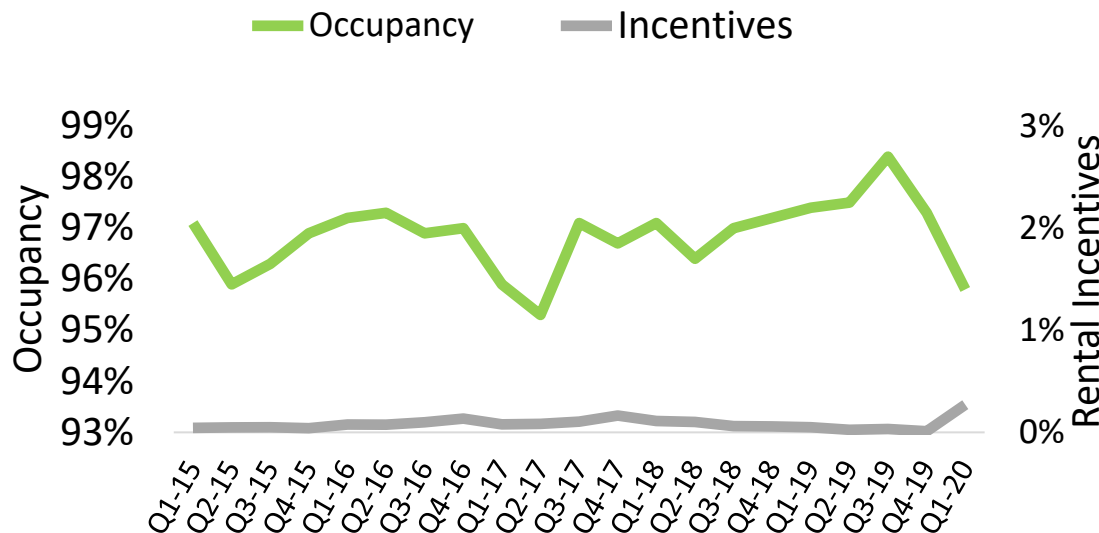
## Current Market Conditions (per CMHC in Jan 2020)

- Strong economic growth.
- Rising population due to immigration and intra-provincial migration.
- Growth in rental supply outpaces strong rental demand.
- Affordability of homeownership is driving many to rent.
- Low vacancy rates and high asking rents = low turnover.

## Killam's Same Property Performance

Ontario Q1-2020	
% of NOI	17.6%
Units	2,557
Rental Rate Growth	3.8%
Occupancy	95.8%
NOI Growth	1.5%

## Killam's Ontario Same Property Results



## Non-IFRS Measures

Management believes these non-IFRS financial measures are relevant measures of the ability of the REIT to earn revenue and to evaluate Killam's financial performance. The non-IFRS measures should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS, as indicators of Killam's performance, or sustainability of Killam's distributions. These measures do not have standardized meanings under IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded organizations.

- Funds from operations ("FFO"), and applicable per unit amounts, are calculated by Killam as net income adjusted for depreciation on an owner-occupied building, fair value gains (losses), interest expense related to exchangeable units, gains (losses) on disposition, deferred tax expense (recovery), unrealized gains (losses) on derivative liability, internal commercial leasing costs, interest expense related to lease liabilities, insurance proceeds and non-controlling interest. FFO are calculated in accordance with the REALpac definition, except for the adjustment of insurance proceeds as REALpac does not address this adjustment.
- Adjusted funds from operations ("AFFO"), and applicable per unit amounts and payout ratios, are calculated by Killam as FFO less an allowance for maintenance capital expenditures ("capex") (a three-year rolling historical average capital spend to maintain and sustain Killam's properties), commercial leasing costs and straight-line commercial rents. AFFO are calculated in accordance with the REALpac definition. Management considers AFFO an earnings metric.
- Same property results in relation to Killam are revenues and property operating expenses for stabilized properties that Killam has owned for equivalent periods in 2020 and 2019. Same property results represent 91% of the fair value of Killam's investment property portfolio as at March 31, 2020. Excluded from same property results in 2020 are acquisitions, dispositions and developments completed in 2019 and 2020, non-stabilized commercial properties linked to development projects, and other adjustments to normalize for revenue or expense items that relate to prior periods or are not operational.
- Interest coverage is calculated by dividing earnings before interest, tax, depreciation and amortization ("EBITDA") by interest expense, adjusted for interest expense related to exchangeable units.
- Debt service coverage is calculated by dividing EBITDA by interest expense, less interest expense related to exchangeable units, and principal mortgage repayments.
- Normalized debt to EBITDA is calculated by dividing interest-bearing debt (net of cash) by EBITDA that has been adjusted for a full year of stabilized earnings from recently completed acquisitions and developments.

See the Q1-2020 Management's Discussion and Analysis for further details on these non-IFRS measures and, where applicable, reconciliations to the most directly comparable IFRS measure.



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