



# Q2-2018

# Results

# Conference Call

*August 9, 2018*

*9AM 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.



**Amongst  
Highest Q2 Apt  
Occupancy of  
96.9%**

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8.7% FFO Growth

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**\$24M in  
Fair Value  
Gains**

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3.18X Interest  
Coverage

**6.0% in  
Same  
Property  
Growth**

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Debt to Total Assets of  
48.0%

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**110 bps  
improvement  
in NOI Margin**

Debt to  
EBITDA of  
10.85

---

2.4%  
**Average  
Increase in  
Rents**

---

AFFO Payout Ratio  
of 79%

## 2018 Target

## YTD 2018 Performance

**Grow Same Property NOI by 1% to 2%**

**REVISED: 3% to 5%**

✓ 5.5% Same Property NOI growth in the first six months of 2018.

**Acquire a minimum of \$125M of assets**

**REVISED: Minimum of \$225M**

✓ \$124 million of assets purchased during the first six months of 2018.  
✓ Additional \$51.0 million completed or committed to acquire in Q3-2018.

**Focus 75% of acquisitions and at least 26% of 2018 NOI outside Atlantic Canada**

✓ 81.1% of completed and committed acquisitions are located outside Atlantic Canada.  
✓ 27% of 2018 forecasted NOI outside Atlantic Canada.

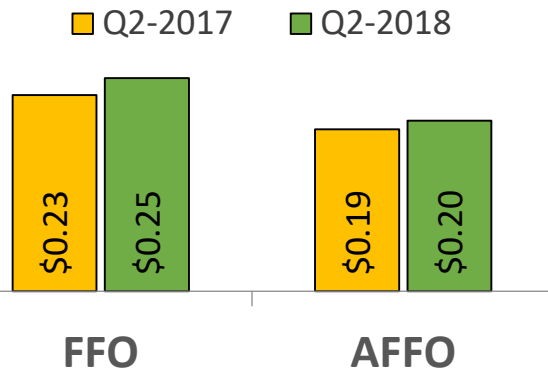
**Complete The Alexander, Saginaw and break ground on one additional development**

✓ 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.

**Maintain debt to total asset to below 52%.**

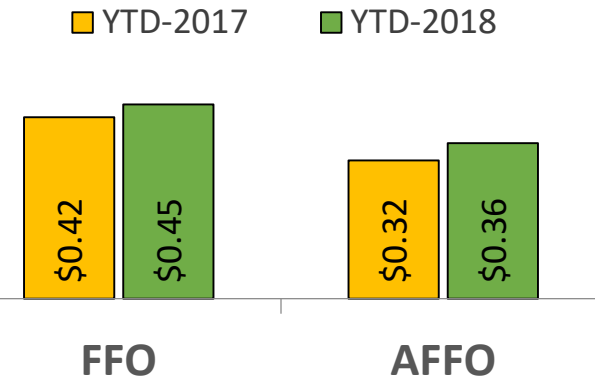
✓ 48.0% debt to assets ratio at June 30, 2018.

## Q2 FFO & AFFO Per Unit



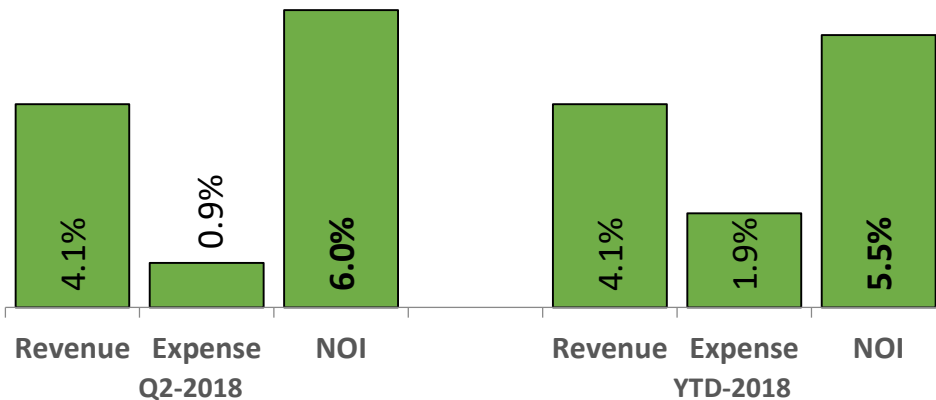
- **Q2-2018** - FFO per unit up **8.7%** & AFFO per unit up **5.3%**
- **YTD-2018** – FFO per unit up **7.1%** & AFFO per unit up **12.5%**

## YTD FFO & AFFO Per Unit



## Same Property Portfolio Performance

For the three and six months ended June 30, 2018

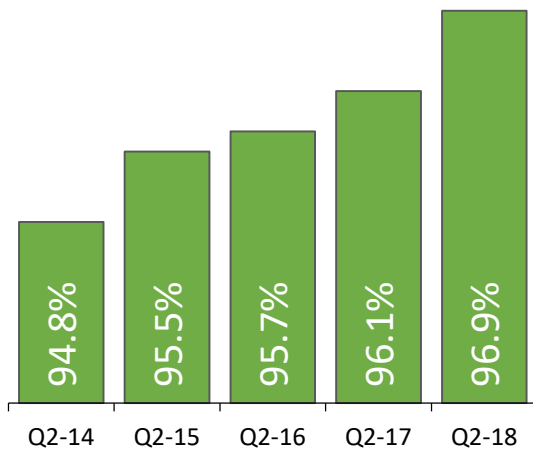


- Increased property revenue **4.1%** for the quarter and year-to-date.
- Managed operating expense increases to **0.9%** for the quarter.
- Achieved same property NOI growth of **6.0%** in Q2-2018 and **5.5%** YTD-2018.

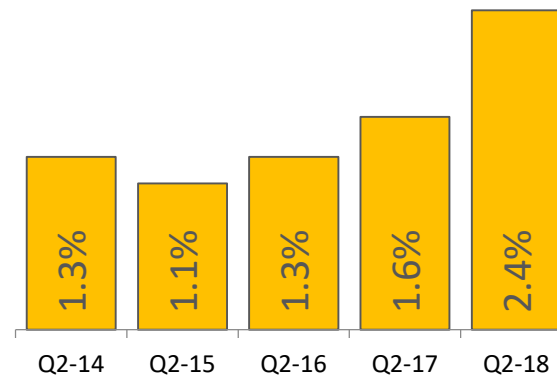
## Strong revenue growth to increase same property earnings.

- Rising rental rates: Rate increases on renewals of 1.6% and turns of 4.9%, averaged 2.4% in Q2-2018.
- Strong occupancy: Q2-2018 economic occupancy was amongst Killam's highest.
- Reduced incentives: 40 bps lower than Q2-2017 as less inducements required in current low vacancy environment.

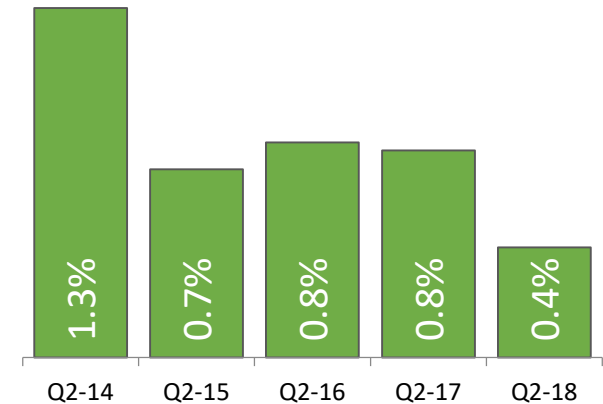
### Apt SP Occupancy<sup>1</sup>



### Apt SP Avg Rental Rate Increase



### Apt SP Incentive Offerings<sup>2</sup>



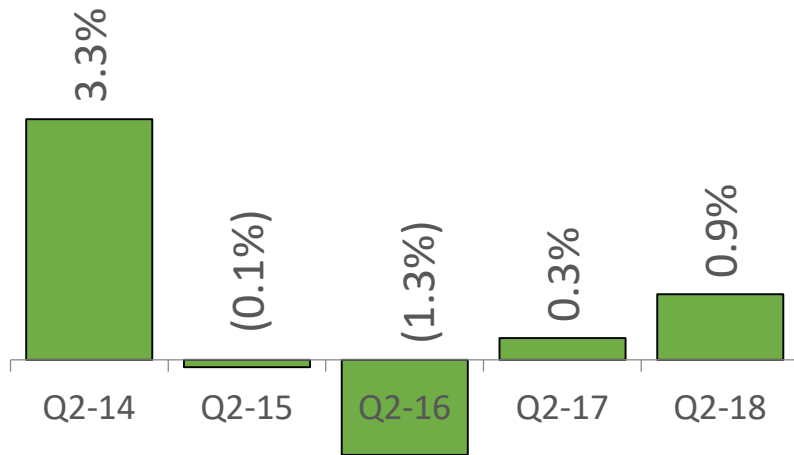
1 Measured as dollar vacancy for the quarter.

2 Measured as a percentage of residential rent.

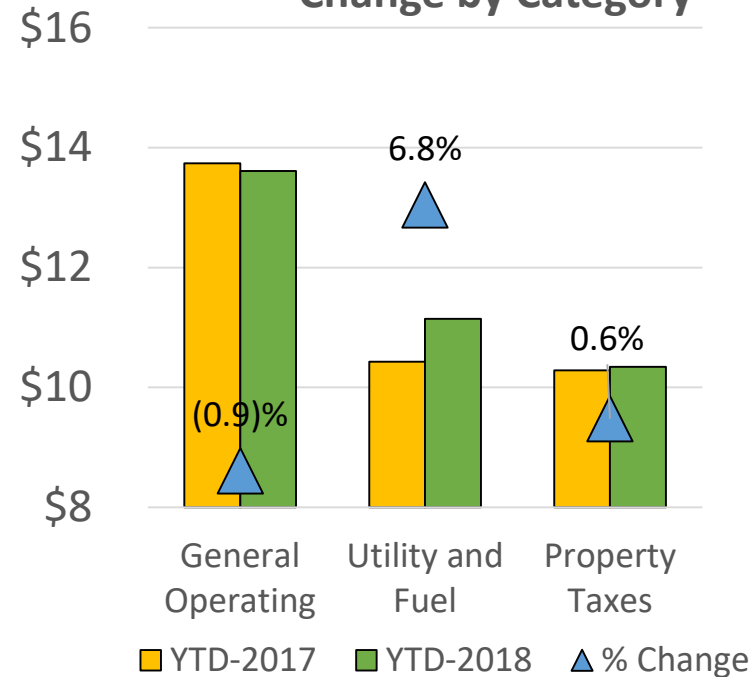
## Managing expenses to increase same property earnings.

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

### Q2-2018 Same Property Expense Growth

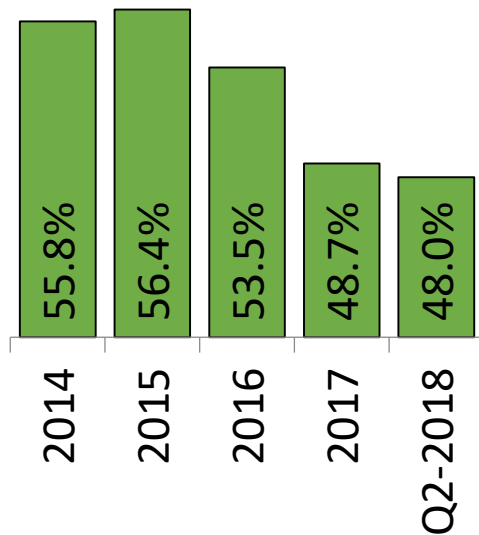


### YTD-2018 Same Property Expense Change by Category

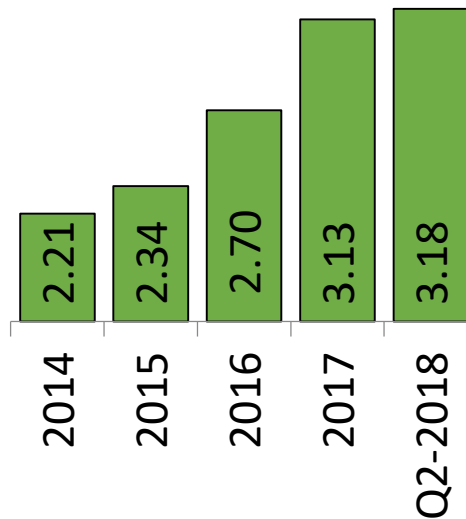


Managing balance sheet with conservative leverage.

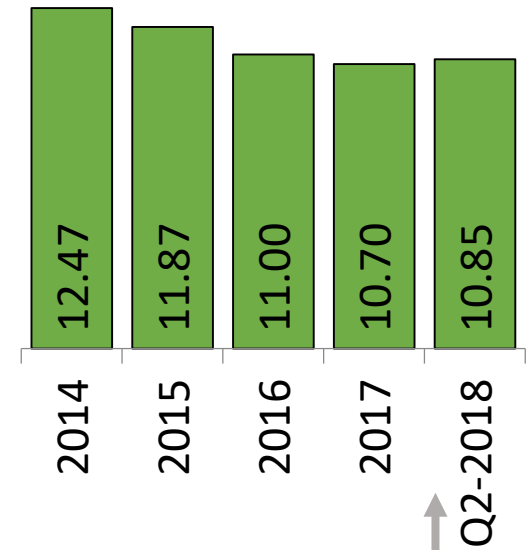
### Debt as a Percentage of Assets



### Interest Coverage Ratio



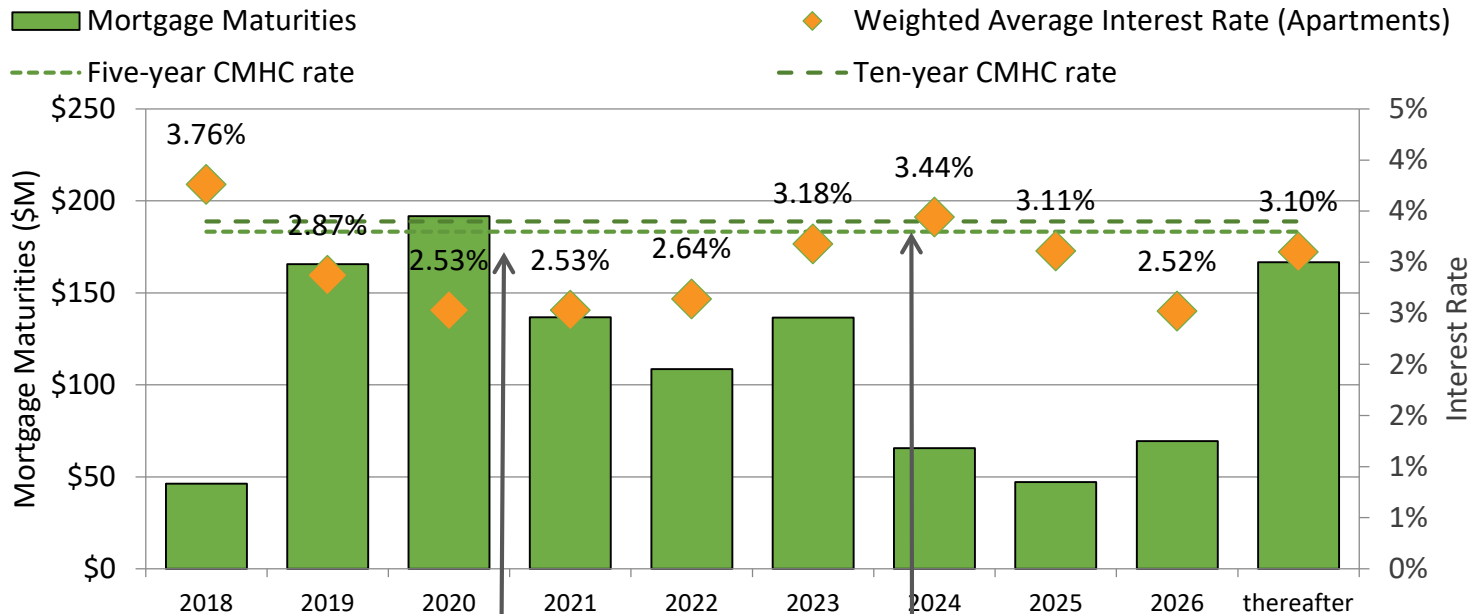
### Debt to EBITDA



Debt to normalized EBITDA with stabilization of recent acquisitions and developments would be approximately 10.2x.



## Apartment Mortgage Maturities by Year As at June 30, 2018



Current rate for 5-year CMHC insured debt is approximately 3.3%.

Current rate for 10-year CMHC insured debt is approximately 3.4%.

**Current Weighted Average Interest Rate of 2.92%**

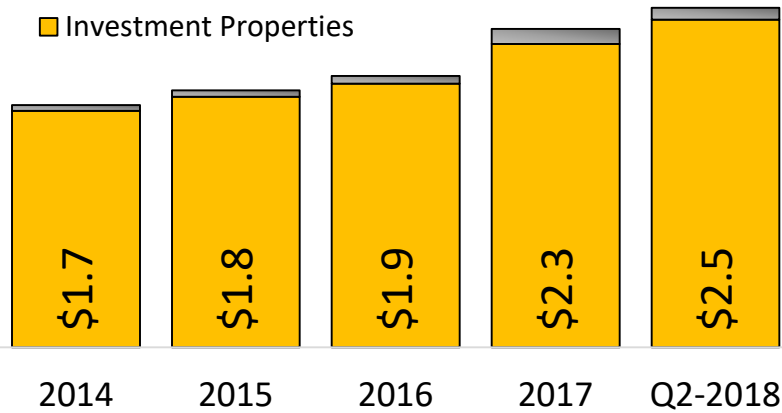
**83% of Apartment Mortgages CMHC Insured**

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

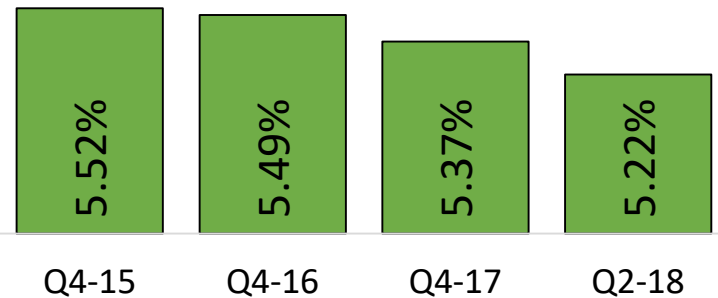
Increasing value of investment properties.

## Investment Properties (\$ billions)

■ Investment Properties under Construction  
■ Investment Properties



## 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.



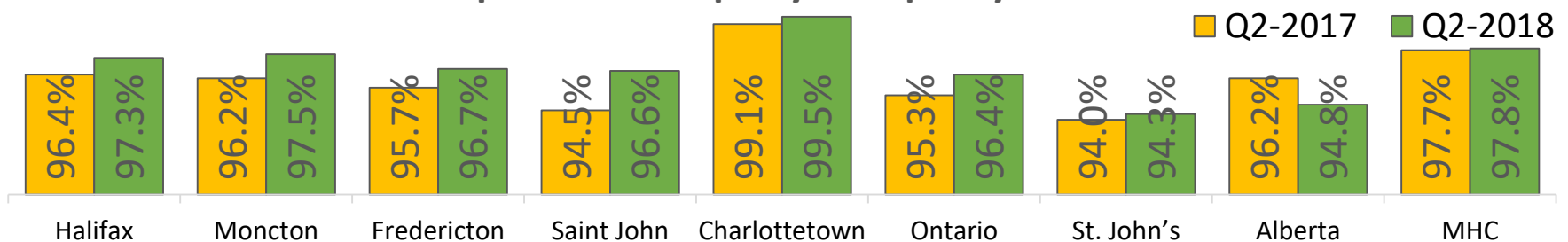
Develop high-quality properties in core markets.



Driving revenues through increased occupancy and rental rates, as well as less rental incentive offerings.

Region	Q2-2018 SP Rent	Q2-2017 SP Rent	% Change
Halifax	\$1,023	\$998	2.5% ↑
Moncton	\$853	\$831	2.6% ↑
Fredericton	\$946	\$923	2.5% ↑
Saint John	\$789	\$764	3.3% ↑
Charlottetown	\$940	\$917	2.5% ↑
Ontario	\$1,176	\$1,148	2.4% ↑
St. John's	\$978	\$969	0.9% ↑
Alberta	\$1,133	\$1,141	(0.7)% ↓
MHC	\$251	\$245	2.6% ↑

## Apartment Property Occupancy



## Driving revenues through unit repositionings to meet market demand.

- Seeking **higher** rent lifts and ROI on each unit turns with an increased focus on unit repositioning.

YTD 2018	2018 Target	2019 Target	Total Opportunity
<ul style="list-style-type: none"><li>• <b>70</b> Units vs 24 units YTD-2017</li><li>• <b>15%</b> ROI</li><li>• <b>\$245</b> Avg Monthly Rental Rate Lift</li><li>• <b>\$20k</b> Avg Investment</li></ul>	<ul style="list-style-type: none"><li>• <b>200</b> Unit Repositions</li><li>• <b>\$3-4M</b> Investment</li><li>• <b>\$0.6M</b> Annualized Increased Revenue</li></ul>	<ul style="list-style-type: none"><li>• <b>300</b> Unit Repositions</li><li>• <b>\$5-6M</b> Investment</li><li>• <b>\$0.9M</b> Annualized Revenue</li></ul>	<ul style="list-style-type: none"><li>• <b>3000</b> Unit Repositions</li><li>• <b>\$54-60M</b> Investment</li><li>• <b>\$9M</b> Annualized Revenue</li></ul>

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

## 2018

- 200 units
- \$3M
- \$0.6M Annual Revenue



One Oak, Halifax



Lorentz, Moncton



Silver Spear,  
Mississauga



Tobin, Halifax

Plus  
additional 26  
properties  
targeted in  
2018

One Oak (146 units), Halifax | Driving revenues through repositioning units



AFTER



BEFORE



## Lorentz (102 units), Moncton | Driving revenues through repositioning units



AFTER

22% Avg Rent Lift  
\$415 Avg Monthly Increase

\$25K Avg Investment

12 repositioned units targeted in 2018

20% Avg ROI

\$270k Increased Targeted Asset Value

BEFORE



**Tobin (47 units), Halifax | Driving revenues through repositioning units**



**AFTER**

**22% Avg Rent Lift**  
\$270 Avg Monthly Increase

**\$25K Avg Investment**

**9 repositioned units targeted in 2018**

**13% Avg ROI**

**\$232k Increased Targeted Asset Value**

**BEFORE**



Silver Spear (199 units), Mississauga | Driving revenues through repositioning units



AFTER



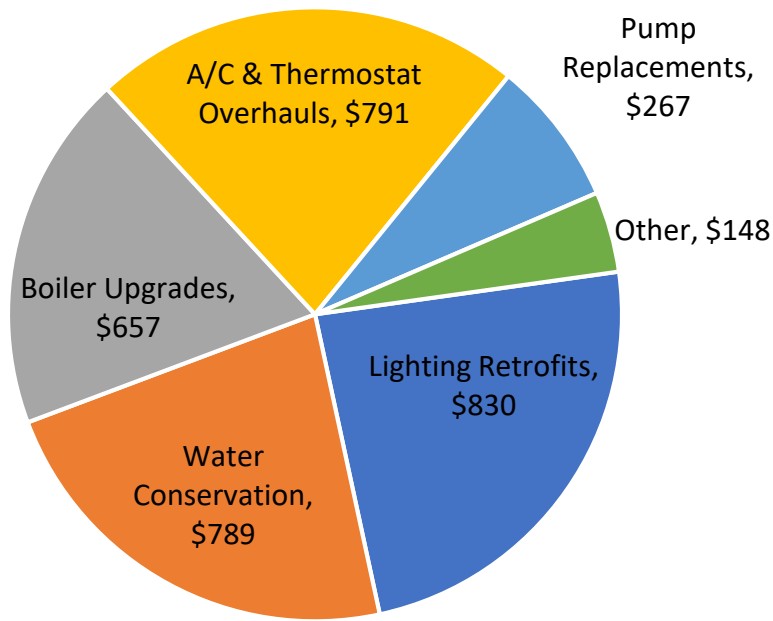
BEFORE



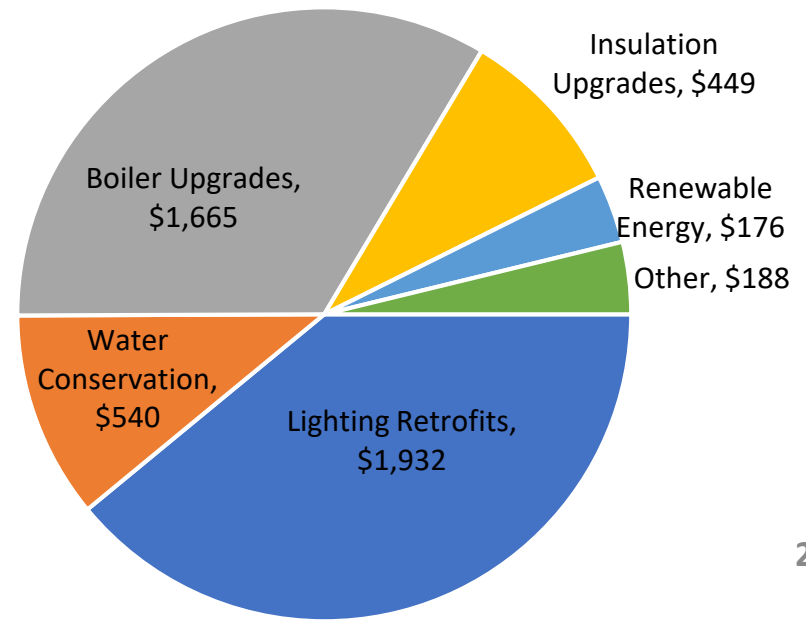
## Accelerating Killam's 5-year, \$25 million energy efficiency plan

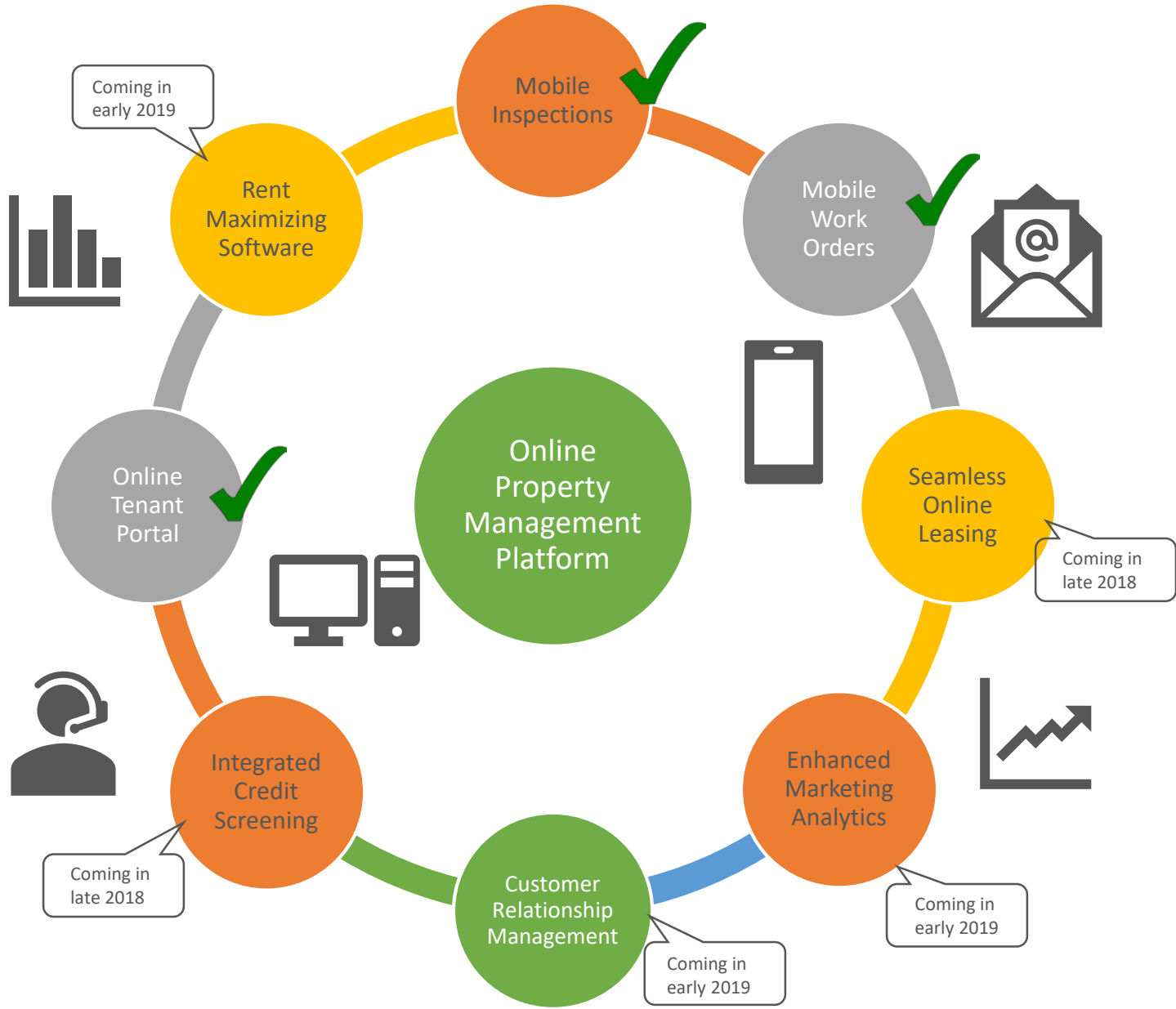
- Killam has invested \$6 million to date in efficiency projects, including 8,400 low-flow toilets installs, boiler upgrades and lighting retrofits.
- Original 2018 plan of \$3.5 million – increased to approx. 180 projects and \$5.0 million.
- Expect additional \$1.1 million of annualized savings with 4.2 year payback.

2017 Energy Projects (\$000's)



2018 Energy Projects (\$000's)



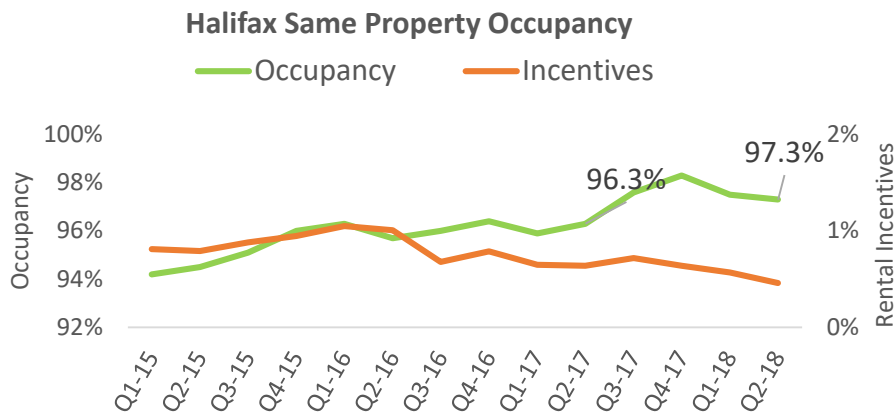


The Halifax rental market is strong with overall vacancy at its lowest level since 2003.

## 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.

## Killam's Same Property Performance



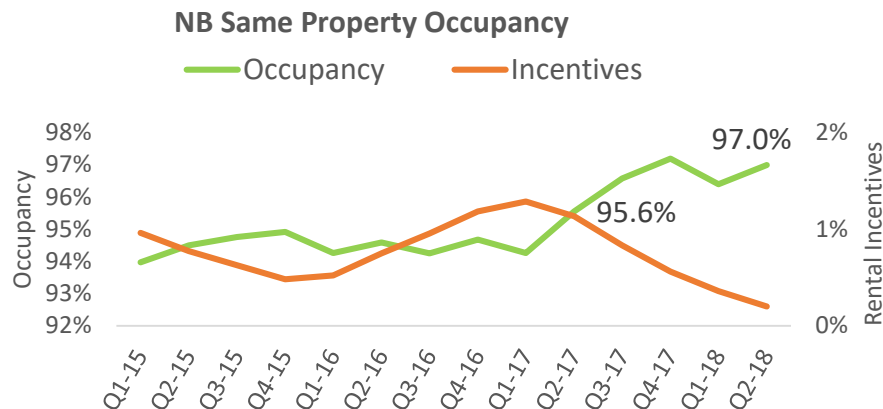
Halifax Q2-2018	
% of NOI	37.1%
Units	5,708
Rental Rate Growth	2.5%
Occupancy	97.3%
NOI Growth	5.9%

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 – 180 bps higher than YTD-2017.

## Killam's Same Property Performance



## New Brunswick Q2-2018

% of NOI **19.5%**

Units **4,349**

Rental Rate Growth **2.8%**

Occupancy **97%**

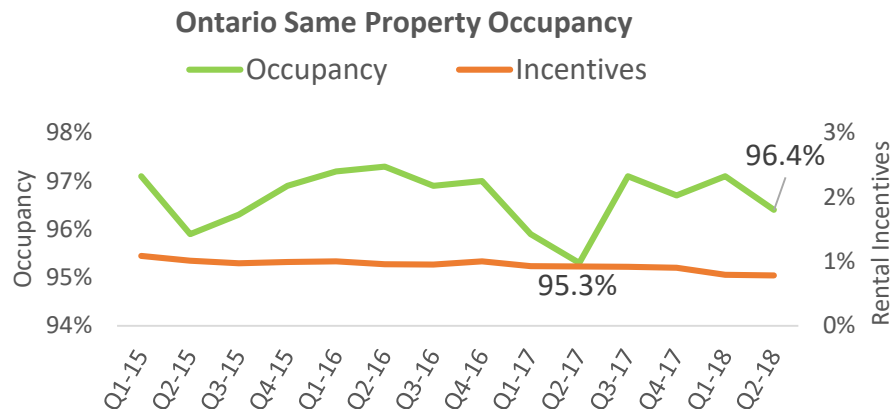
NOI Growth **8.6%**

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.

## Killam's Same Property Performance



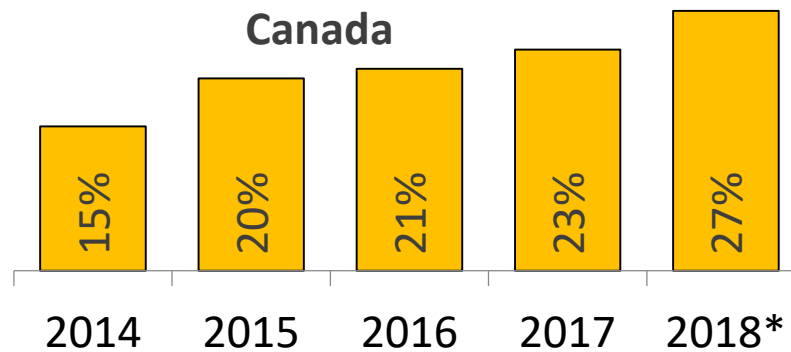
Ontario Q2-2018	
% of NOI	19.9%
Units	2,405
Rental Rate Growth	2.4%
Occupancy	96.4%
NOI Growth	6.8%



# Acquisition & Development Activity

Quarter	Property	Region	Month	Total	Atlantic Canada	Ontario & Alberta
Q1	The Killick	Halifax, NS	February	\$33,000	\$33,000	
Q1	4th Ave Land	Calgary, AB	February	7,200		\$7,200
Q1	Weber Scott Pearl	Kitchener, ON	March	6,000		6,000
Q1	Westmount Place	Waterloo, ON	March	77,800		77,800
Q3	Mississippi Lakes MHC	Carleton Place, ON	July	2,000		2,000
Q3	Nolan Hill	Calgary, AB	July	2,000		2,000
Q3	The Vibe Lofts	Edmonton, AB	August	47,000		47,000
Total				\$175,000	\$33,000	\$142,000
% Outside Atlantic Canada					19%	81%

## NOI Generated Outside Atlantic Canada



\*2018 forecast

## Description:

- 178 units
- Average rent of \$1,444/month (\$2.35 per square foot);
- Construction completed in September 2017
- Occupancy at 78%

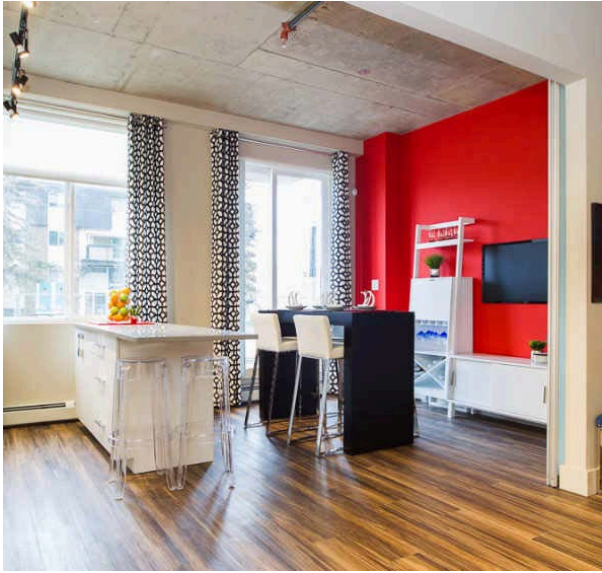
## Location:

- 10620-116<sup>th</sup> Street NW Edmonton, Alberta

## Acquisition Details:

- \$47.0 million (\$267,000/unit)





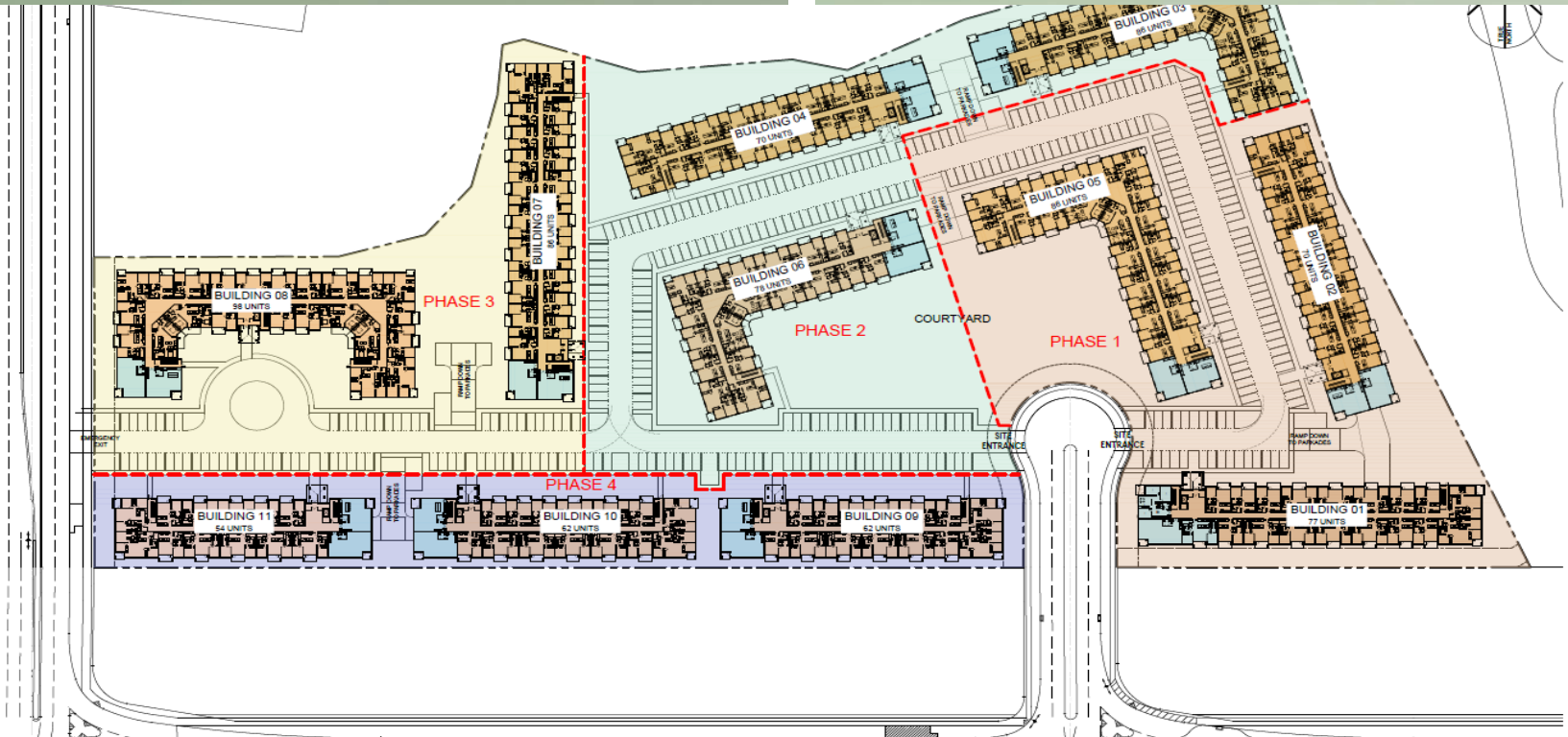
## Description:

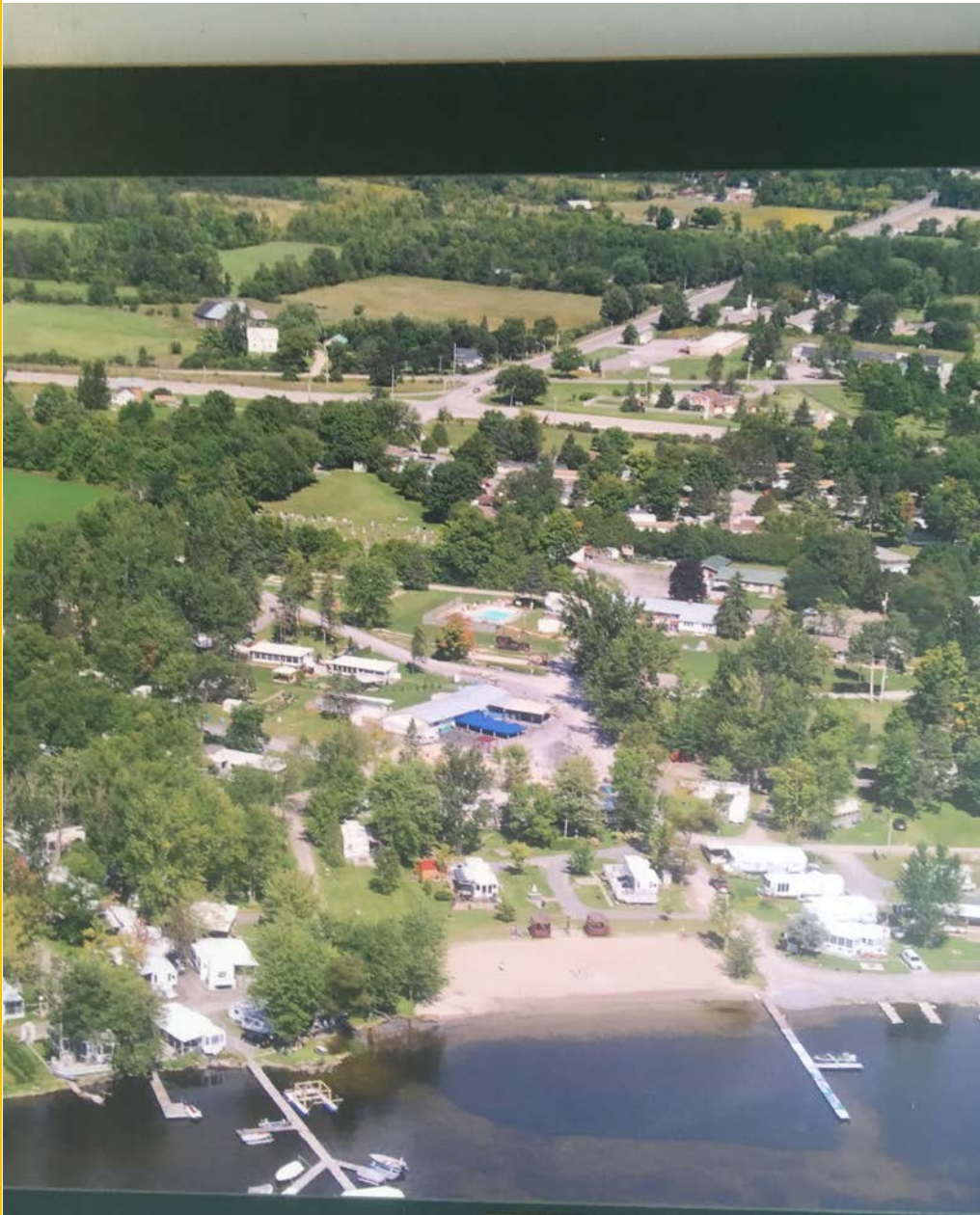
- 10% interest in a 13.58-acre development site
- Located in Northwest Calgary
- Zoned for 829 units
- First phase – 233 units to be completed in 2020

## Acquisition Details:

- \$2.0 million for 10% interest
- Agreed to purchase first phase of 233 units at a purchase price of \$55 million (\$236,000 per unit)
- Future first right to purchase remaining phases







**Description:**

138 seasonal sites  
~22.5 acres

**Location:**

562 Townline Road West,  
Township of Beckwith, Ontario

**Acquisition details:**

\$2.0 million  
(\$14,500 per site)

Cambridge, ON - Saginaw Park completed April 2018.



## Cambridge, ON - Saginaw Park





## Cambridge, ON - Saginaw Park



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

### Key Statistics

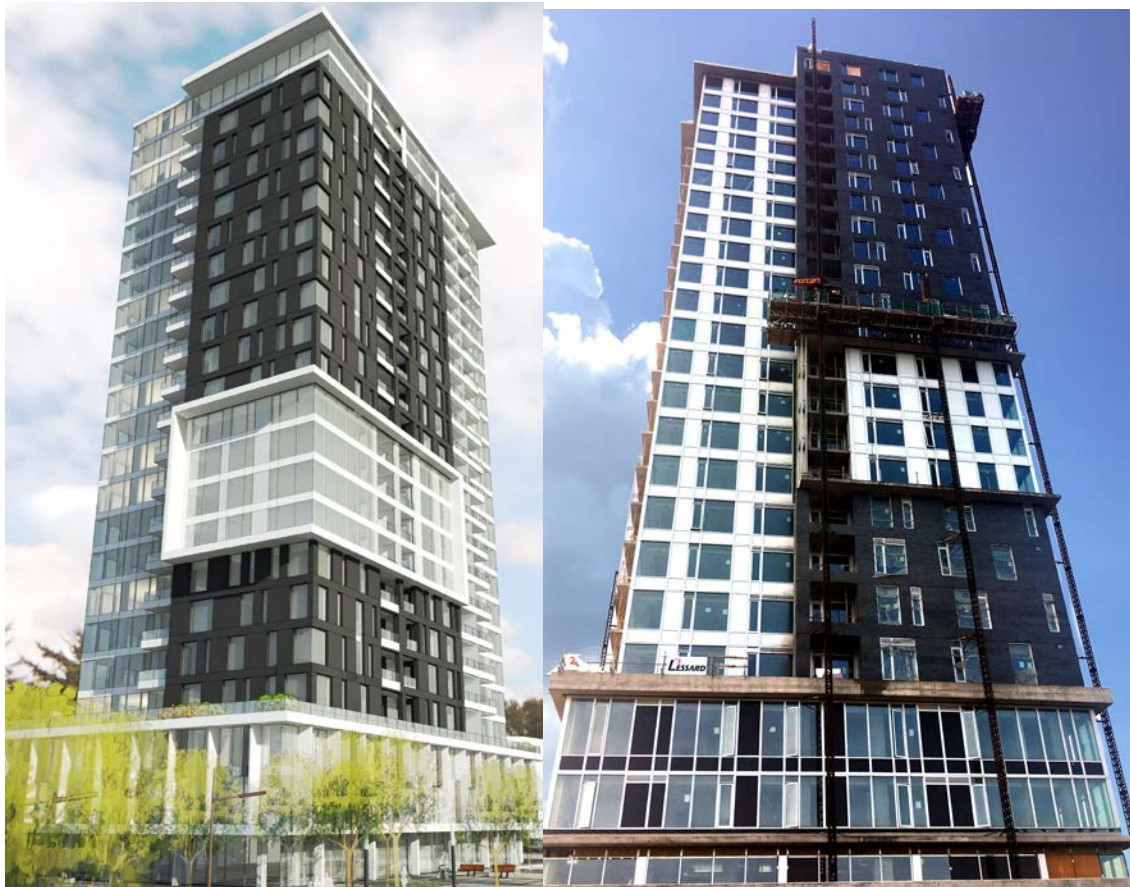
Number of units/ Commercial (SF)	240 units/ 6,350 SF
Start date	2016
Completion date	Q3-2018
Project Budget (\$M)*	\$41.0
Cost per unit	\$320,000
Expected Yield	4.75%
Expected Value	4.50%

\* Killam's 50% interest.



The Alexander, Halifax

## Ottawa, ON - Frontier, Phase One



The Frontier, Ottawa

### Key Statistics

Number of units	227
Start date	2017
Completion date	Q2-2019
Project Budget (\$M)*	\$36.5
Cost per unit	\$320,000
Expected Yield	5.0%
Expected Value	4.0%

\* Killam's 50% interest.

## Ottawa, ON – Gloucester City Centre, Phase Two



Phase Two, ~200 units



**Silver Spear development to break ground in late 2018/early 2019.**

## Key Statistics

Number of units	128
Start date	Q1-2019
Estimated Completion date	Q1-2021
Project Budget (\$M)*	\$23.7
Cost per unit	\$356,000
Expected Yield	5.25%
Expected Value	3.50%

\*Killam's 50% interest.



**Silver Spear, Mississauga**

## Weber Scott Pearl Land - 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



**Killam has a \$700 million development pipeline.**

## Future Development Opportunities

Property	City	Units
Silver Spear II <sup>(1)</sup>	Mississauga, ON	64
Weber Scott Pearl	Kitchener, ON	163
Gloucester City Centre (Ph 2-4) <sup>(1)</sup>	Ottawa, ON	283
Grid 5 Land <sup>(2)</sup>	Calgary, AB	388
Westmount Place	Waterloo, ON	560
The Governor	Halifax, NS	48
Carlton Terrace	Halifax, NS	104
Kanata Lakes <sup>(1)</sup>	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>2,425</b>

(1) Killam's 50% interest. (2) Killam's 50% interest.



70% of Killam's development pipeline is outside Atlantic Canada. 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 \$700 million pipeline at a 100 basis point spread would create approximately \$175 million in net asset value for unitholders.



**Q2-2018  
Results  
Conference Call**

