



# Q3-2019 Results Conference Call

*Nov 6, 2019 | 12PM 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.



SP Apartment  
Occupancy  
97.3%

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3.8% FFO per Unit  
Growth

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**\$36M** in  
Investment  
Property Fair Value  
Gains

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**3.19x** Interest  
Coverage

4.5% Same  
Property (SP)  
NOI Growth

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Debt to Total Assets of  
47.2%

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Debt to  
normalized EBITDA  
of **10.47x**

4.2% Increase  
in Average Rental  
Rate

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60 bps  
Improvement in  
SP NOI Margin

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2.91%  
Weighted Average  
Mortgage Interest Rate

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AFFO Payout Ratio  
of 84%

## 2019 Target

## Year to-date 2019 Performance

**Same Property NOI Growth of 3% to 5%.**

4.1% Same property NOI growth.

**Grow the portfolio to over \$3.0 billion by the end of 2019, with a minimum acquisition target of \$100 million.**

~ \$3.1 billion in assets as at Q3-2019. Completed \$145.2 million of acquisitions and recorded \$134 million in fair value gains year-to-date.

**Earn at least 30% of 2019 NOI outside Atlantic Canada.**

~ 30% of YTD-2019 NOI was generated by properties in Ontario and Alberta.  
On track to achieve 30% of 2019 projected NOI outside Atlantic Canada.

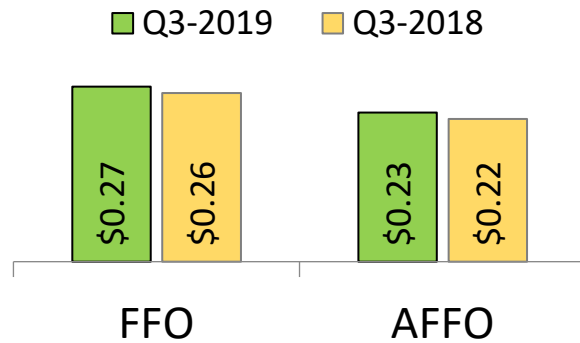
**Complete Phase I of the Ottawa development, break ground on The Kay and one additional development project.**

Phase I (Frontier) of the Gloucester City Centre development opened on June 1<sup>st</sup>, and Killam broke ground on Phase II (Latitude) in Q2-2019. Killam received all municipal approvals and broke ground on The Kay in Q3-2019.

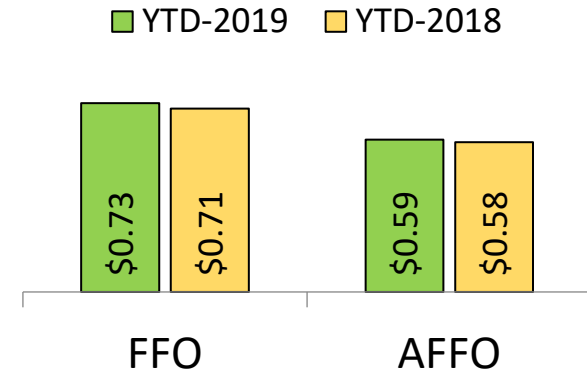
**Maintain debt as a percentage of assets ratio below 49%.**

47.2% debt to assets ratio at September 30, 2019.

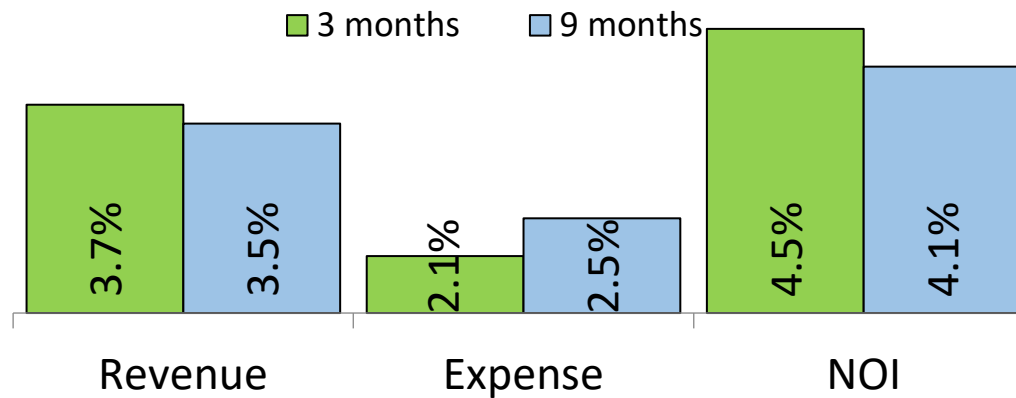
## Q3 FFO & AFFO Per Unit



## YTD FFO & AFFO Per Unit



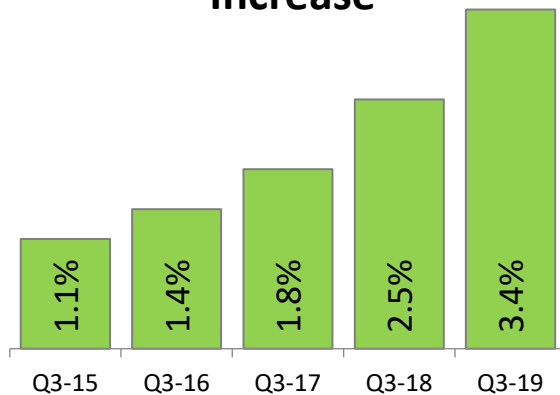
## Same Property Portfolio Performance For the three & nine months ended September 30, 2019



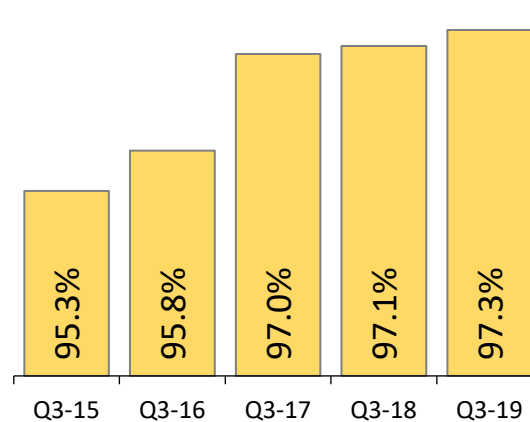
## Strong revenue growth.

- Increasing rental rates: Rate increases on renewals of **2.1%**, on turns of **5.7%** and repositionings of **28.9%**, averaged **3.4%** in Q3-2019.
- Strong occupancy and minimal incentives required with strong market fundamentals.

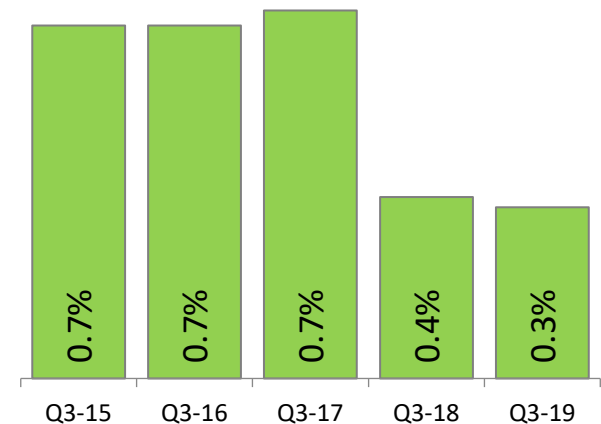
### Apt Same Property Avg Rental Rate Increase



### Apt Same Property Occupancy<sup>1</sup>



### Apt Same Property Incentive Offerings<sup>2</sup>



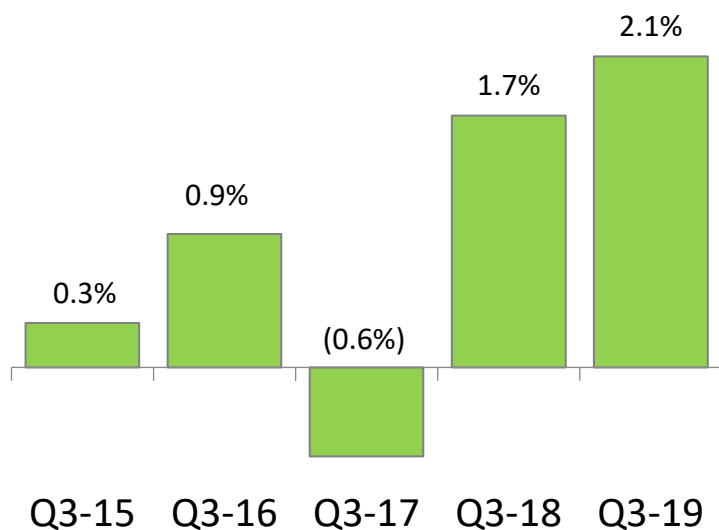
<sup>1</sup> Measured as dollar vacancy for the quarter.

<sup>2</sup> Measured as a percentage of residential rent.

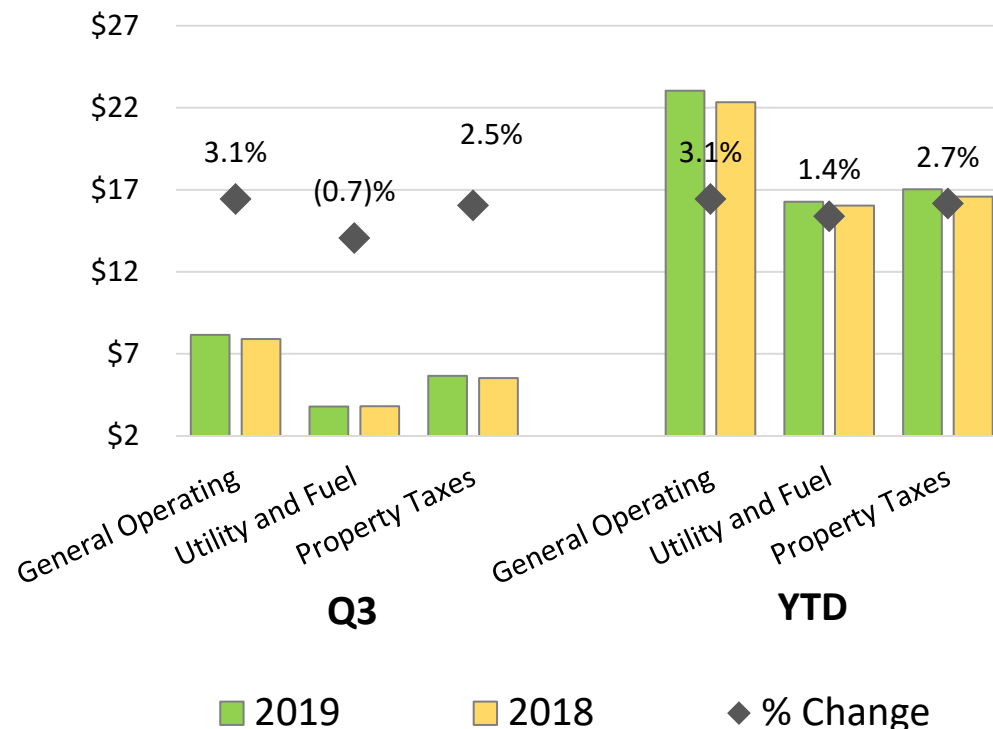
## Managing expenses to increase same property earnings.

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

### Same Property Expense Growth

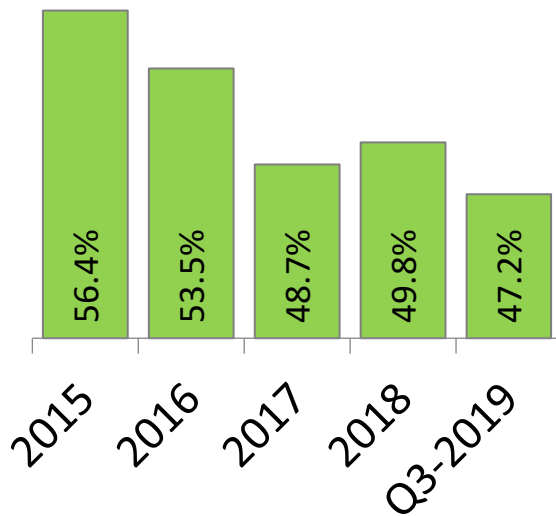


### Same Property Expense Change by Category (\$M)

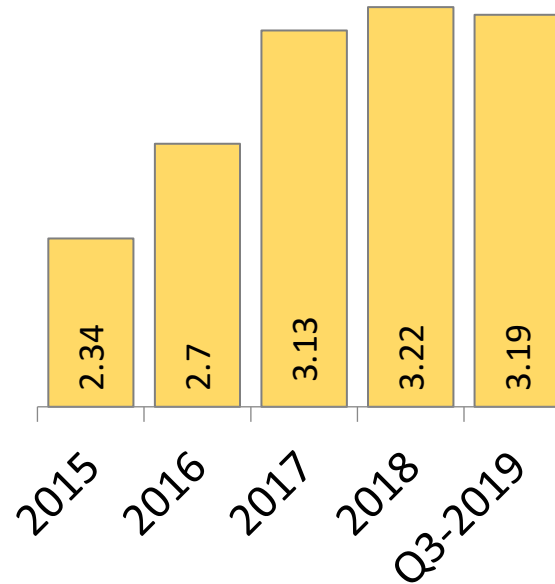


Managing balance sheet with conservative leverage.

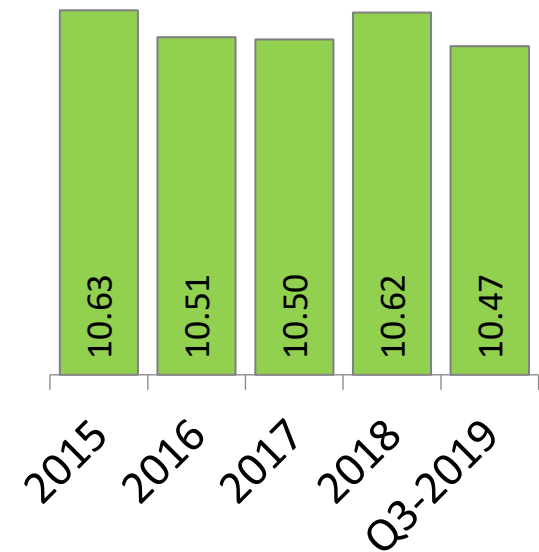
### Debt as a Percentage of Assets



### Interest Coverage Ratio

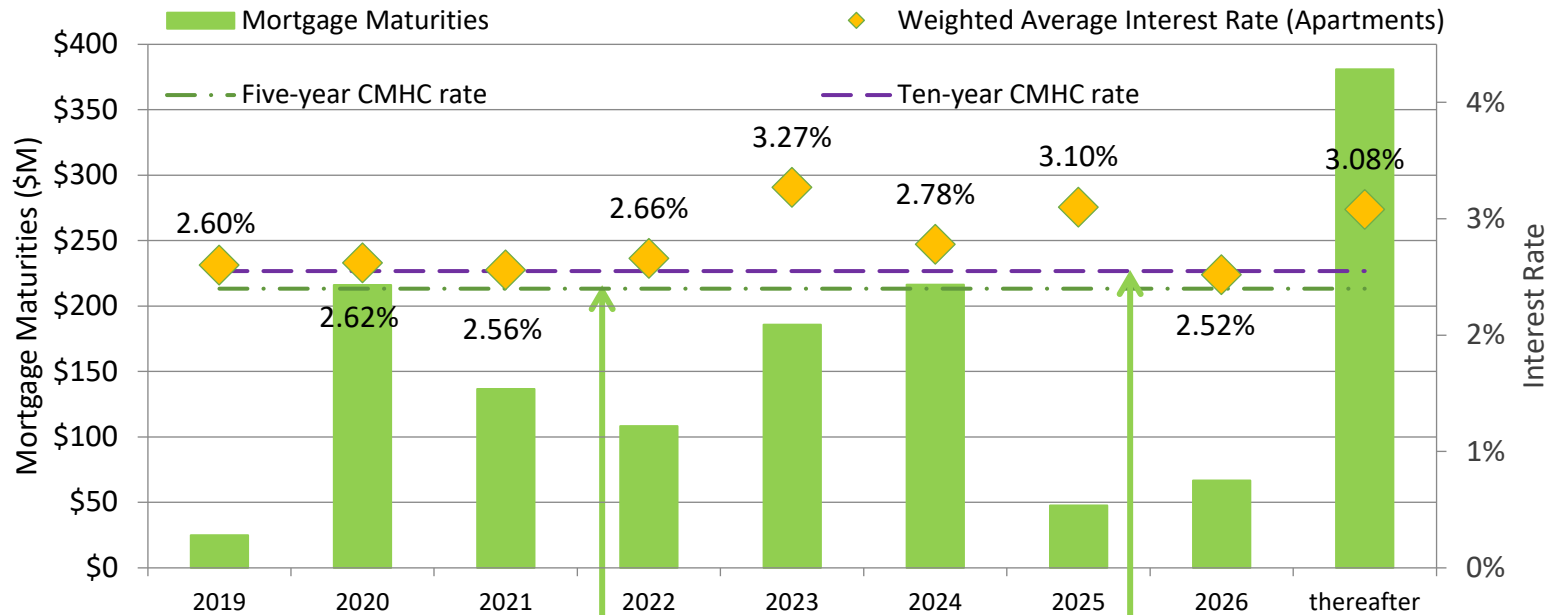


### Debt to Normalized EBITDA





## Apartment Mortgage Maturities by Year As at September 30, 2019



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

**84% of Apartment Mortgages CMHC Insured**

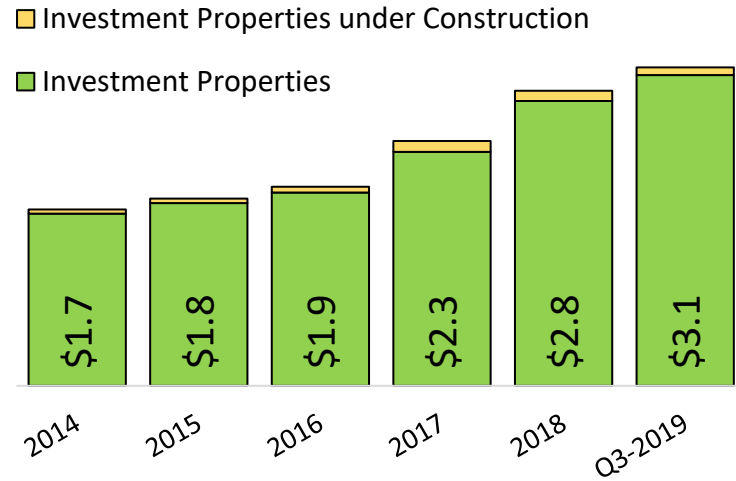
**Weighted Average Term to Maturity of 4.6 years**

Current rate for 5-year and 10-year CMHC insured debt is approximately 2.40% and 2.55%.

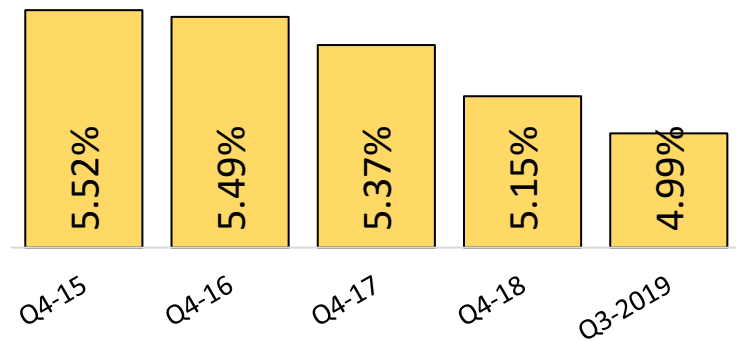
**Increasing value of investment properties.**



**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.



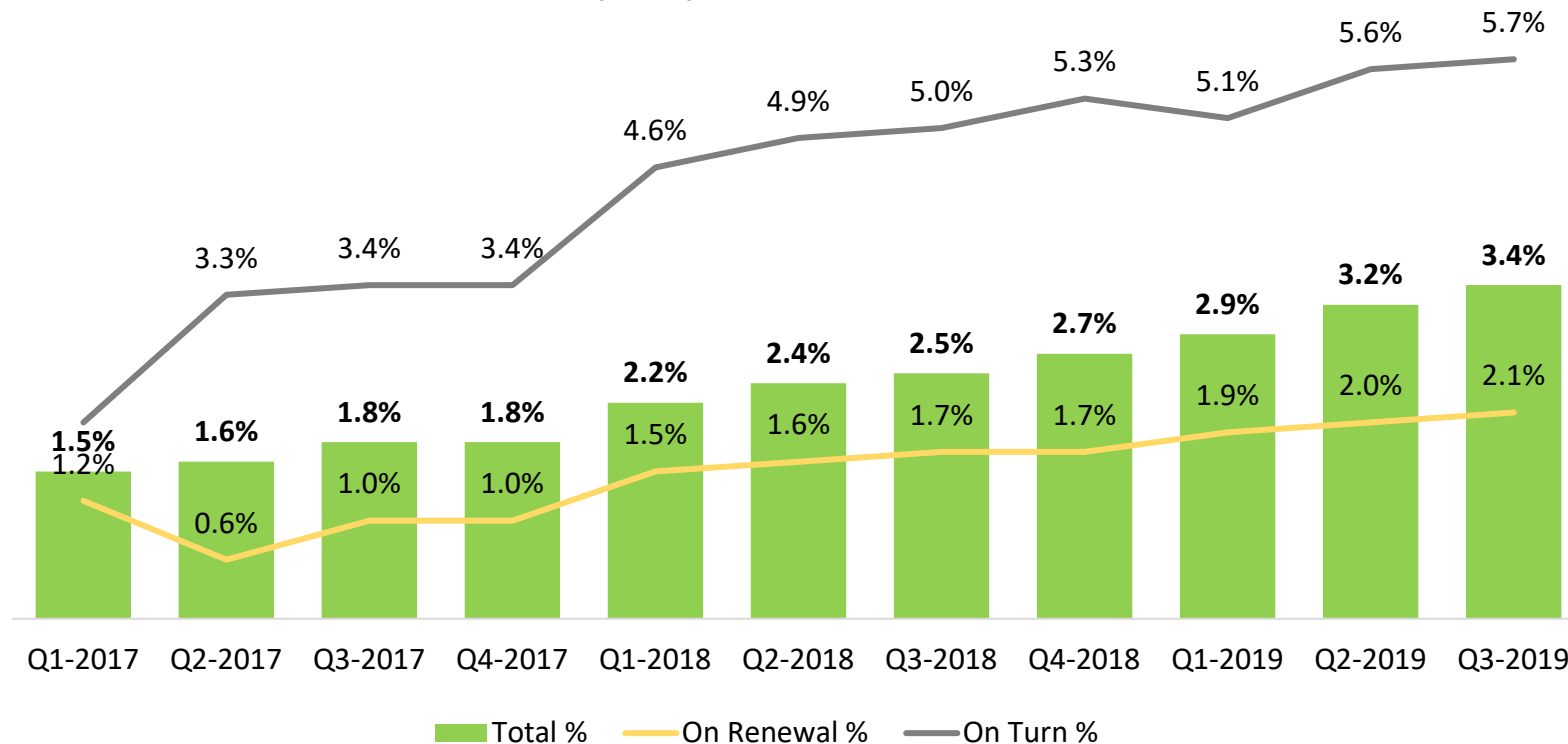
Expand the portfolio and diversify geographically through accretive acquisitions, targeting newer properties.



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

With continued high occupancy levels, rental rate growth is a key focus for revenue optimization.

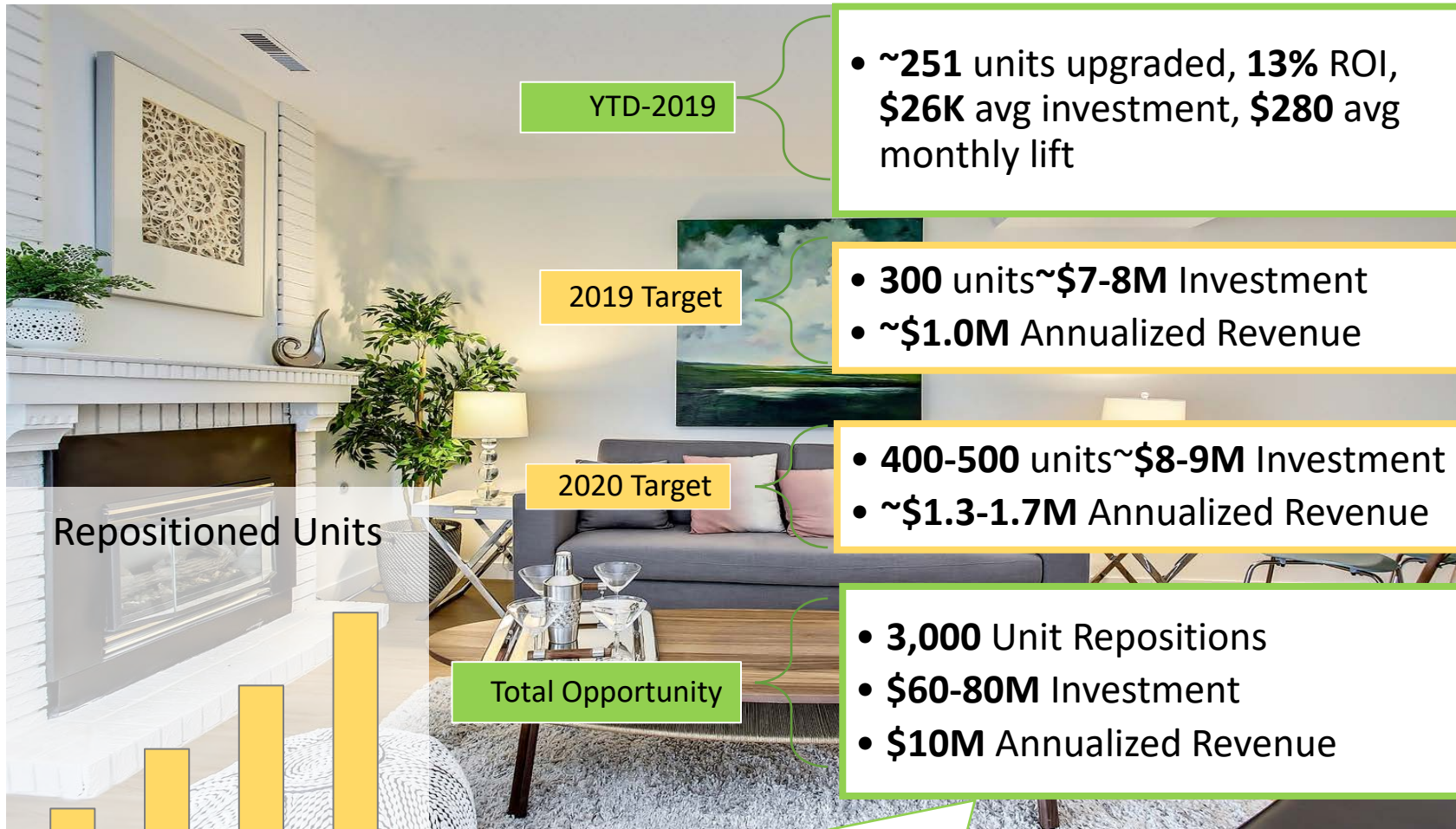
### Same Property Rental Increases (%)



Same property rental rate growth has accelerated ~20 bps in each of the past seven quarters, from **1.8% in Q4-2017 to 3.4% in Q3-2019.**

# Q3-2019 | Increasing Revenues

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



YTD-2019

- ~251 units upgraded, **13% ROI**, **\$26K** avg investment, **\$280** avg monthly lift

2019 Target

- **300** units~**\$7-8M** Investment
- ~**\$1.0M** Annualized Revenue

2020 Target

- **400-500** units~**\$8-9M** Investment
- ~**\$1.3-1.7M** Annualized Revenue

Total Opportunity

- **3,000** Unit Repositions
- **\$60-80M** Investment
- **\$10M** Annualized Revenue

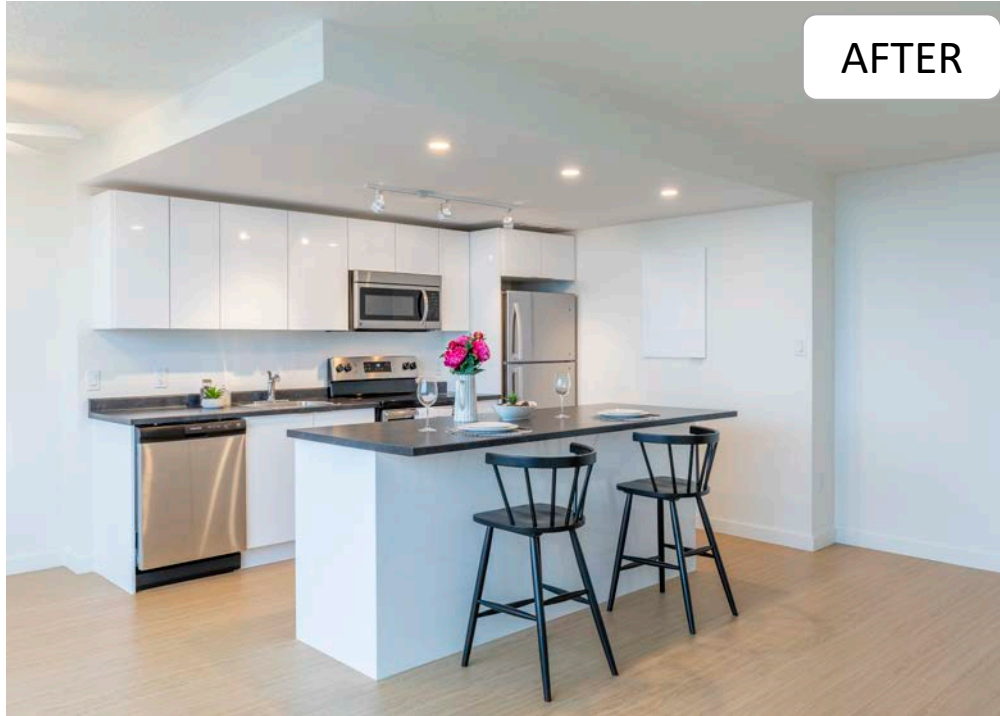
Repositioned Units



\*forecast

Based on a 5% cap rate this investment would increase the NAV by ~\$195M

**Fort Howe, Saint John (153 units) | Growing revenues through repositioning units**



## Suite Repositionings

- \$36k - Average investment per unit
- 41% - Average rent lift
- 13% - Average ROI
- \$390 Avg monthly increase



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

Water Conservation



Electric Vehicle Chargers



Geothermal



Solar Heating



LED Lighting



Efficient Heating

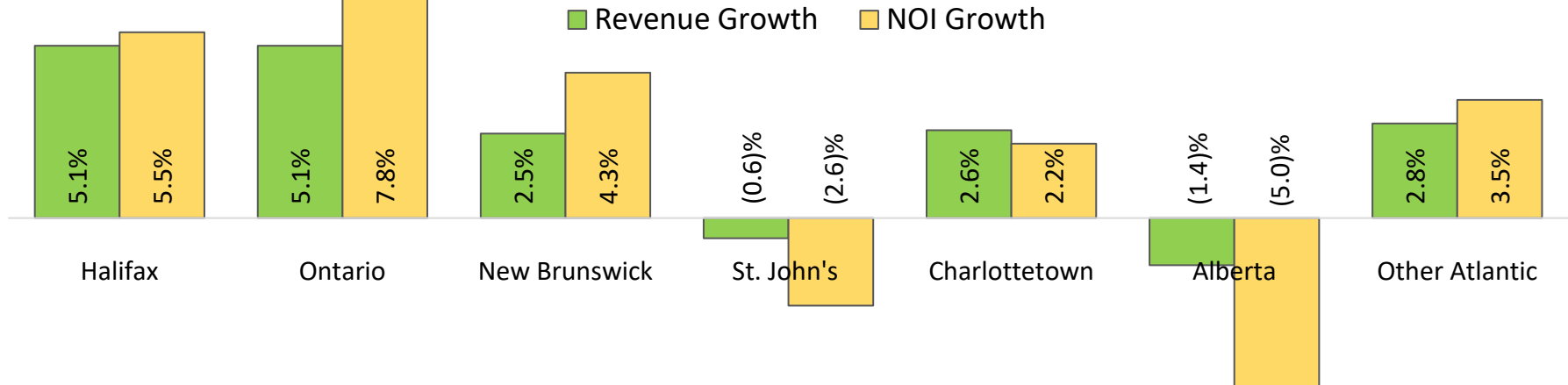


G R E S B

- **Investing \$5 million** annually in **energy-efficiency** initiatives.
- Completed first year of **GRESB rating** – **first** of Canadian multi-residential peers.
- Working with a 3<sup>rd</sup> party to complete a baseline **Greenhouse Gas Audit**.
- **ESG Oversight Committee** – monthly meetings to drive progress against ESG targets and reports to the Board's Governance Committee.

Apartment NOI increased 4.4% during Q3 with Ontario and Halifax leading NOI growth of 7.8% and 5.5%.

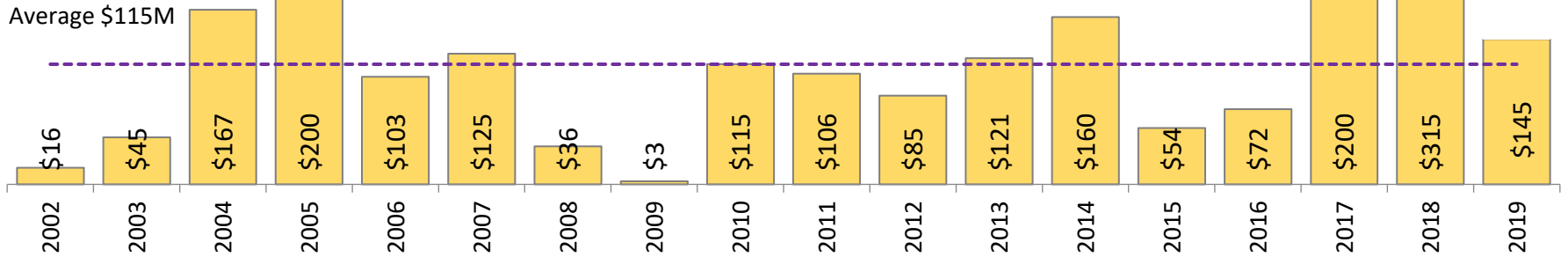
## Q3-2019 Same Property Growth by Region



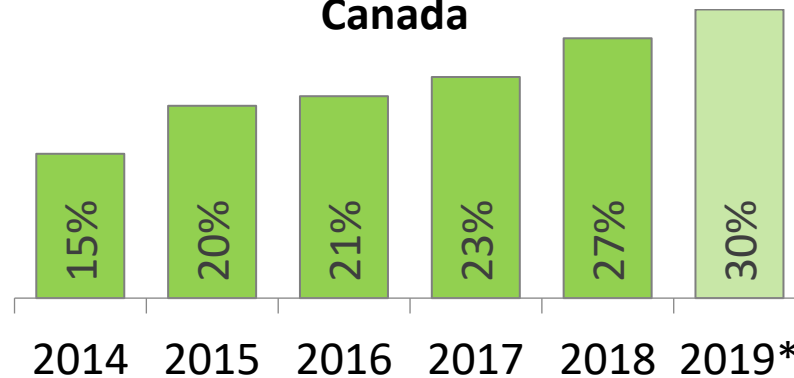
Continuing to move rental rates higher across Killam's major regions.



## Annual Acquisitions (\$ millions)



## NOI Generated Outside Atlantic Canada



**\*Based on its current portfolio, Killam forecasts that 30% of 2019 NOI will be generated outside Atlantic Canada.**



### **Description:**

48 units; 48 underground parking spots  
Four-storey apartment complex with large  
2 & 3 bedroom units  
Average rent – \$1,367/month (\$1.00/sf)

### **Acquisition Details:**

\$9.25 million  
5.60% capitalization rate  
100% occupied  
Closed: Aug 20, 2019

**Approximately \$300 million of developments completed.**



101 units - Fredericton, NB



122 units - Cambridge, ON



94 units - Cambridge, ON



70 units - Halifax, NS



228 units - Ottawa, ON



240 units - Halifax, NS



49 units - Charlottetown, PEI



47 units - Charlottetown



63 units - Halifax, NS



102 units - St. John's, NL



71 units - St. John's, NL

**Phase I (Frontier) of Gloucester City Centre, was substantially complete in June 2019.**



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

## Key Statistics

Number of units	228
Start date	Q2-2017
Completion date	Q2-2019
Project Budget (\$M)*	\$37.5
Cost per unit	\$329,000
Expected Yield	5.25%
Expected Value Cap-rate	4.0%
Average Unit Size	789 SF
Average Rent	\$1,965 \$2.49/sf

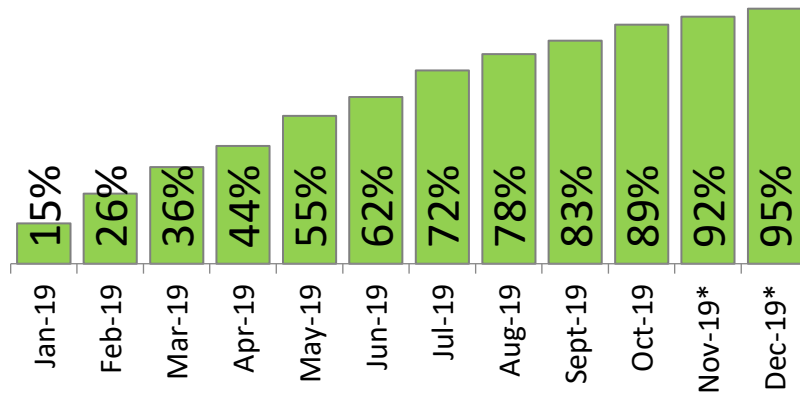
\* Killam's 50% interest.

Phase I of Killam's 228-unit joint development project, Frontier, located in Ottawa, reached substantial completion in June 2019 and is currently 90% leased.

## Ottawa, ON – Phase I (Frontier) of Gloucester City Centre



### Frontier Leasing Activity



\*forecast

## 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
Est. Completion date	Q4-2021
Project Budget (\$M)*	\$43.5
Cost per unit	\$416,000
Expected Yield	5.2%
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

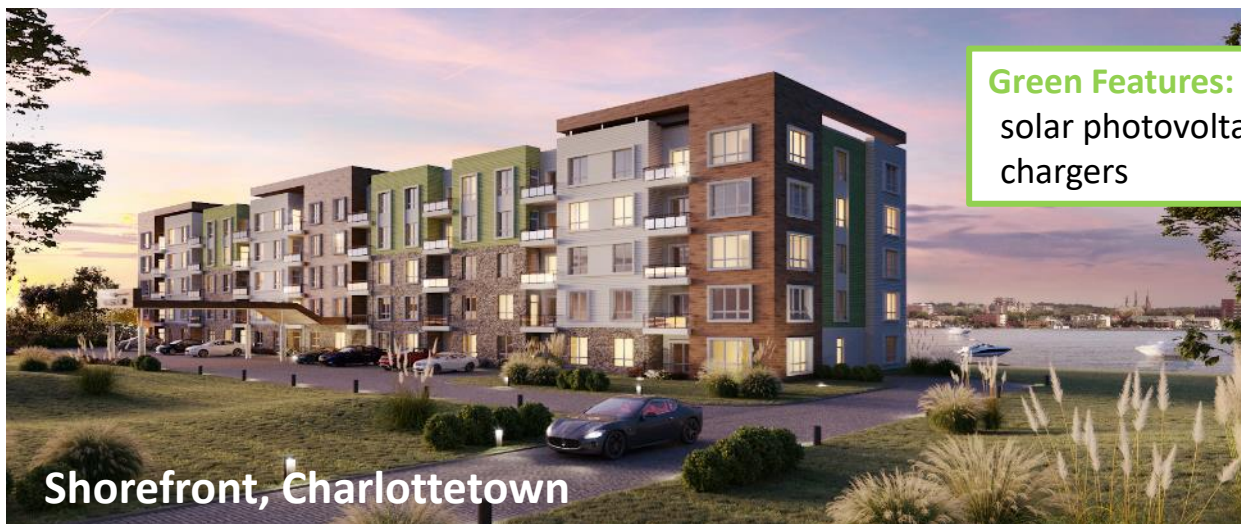
**Phase II (Latitude) is actively underway with \$9.1 million invested to-date.**



Shorefront development broke ground in October 2018.

## Key Statistics

Number of units	78
Start date	Q4-2018
Estimated Completion date	Q2-2020
Project Budget (\$M)	\$22.0
Cost per unit	\$282,000
Expected Yield	5.6%
Expected Value	4.75-5.0%



**Green Features:** Sub-metered water, solar photovoltaic panels, on-site EV chargers

Shorefront, Charlottetown



Shorefront development is on schedule with \$10.5 million invested to-date.



## The Kay development broke ground in Q3-2019.

### Key Statistics

Number of units	128
Start date	Q3-2019
Estimated Completion date	Q2-2021
Project Budget (\$M)	\$56.0
Cost per unit	\$437,500
Expected Yield	5.0%
Expected Value Cap-rate	3.5%



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

The Kay, Mississauga

The Kay development broke ground in Q3-2019.



The Kay, Mississauga

# Q3-2019 | Development Pipeline - ~\$700 million

Future Development Opportunities					
Property	Location	Killam Interest	Potential # of Units	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	2021
Nolan Hill	Calgary, AB	10%	23	In design and approval process	2021
Weber Scott Pearl	Kitchener, ON	100%	172	In design and approval process	2022
Westmount Place (Ph 1)	Waterloo, ON	100%	114	In design	2022
<u>Developments expected to start in 2021-2025</u>					
Haviland Street	Charlottetown, PE	100%	99	In design	2022
Gloucester City Centre (Ph 3-4)	Ottawa, ON	50%	185	In design	2024
Westmount Place (Ph 2-5)	Waterloo, ON	100%	908	In design	2028
<u>Additional future development projects</u>					
Carlton Terrace	Halifax, NS	100%	104	In design and approval process	TBD
Kanata Lakes	Ottawa, ON	50%	40	In design and approval process	TBD
Medical Arts (Spring Garden)	Halifax, NS	100%	200	Future development	TBD
Carlton Houses	Halifax, NS	100%	80	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>2,242</b>		

~ 64% of Killam's development pipeline is outside Atlantic Canada. Killam targets yields of 5.0% to 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 bps spread would create approximately \$175 million in NAV growth for unitholders.



# Appendices



**The Halifax rental market is strong with overall occupancy of 98.3%.**

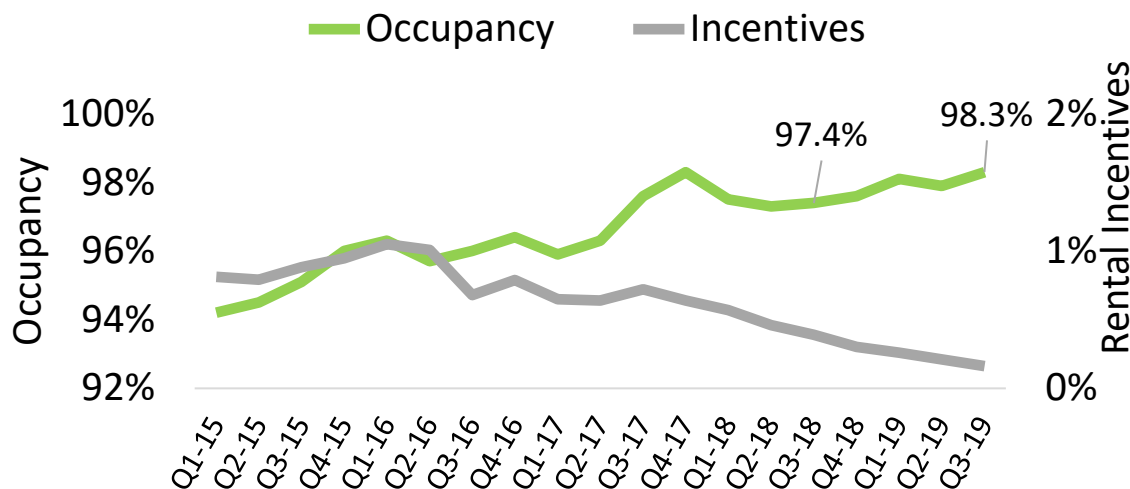
## Current Market Conditions

- 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 Q3-2019	
% of NOI	40.1%
Units	5,753
Rental Rate Growth	3.7%
Occupancy	98.3%
NOI Growth	5.5%

## Killam's Halifax Same Property Results



**Population growth coupled with limited construction has resulted in high occupancy of 97.5%.**

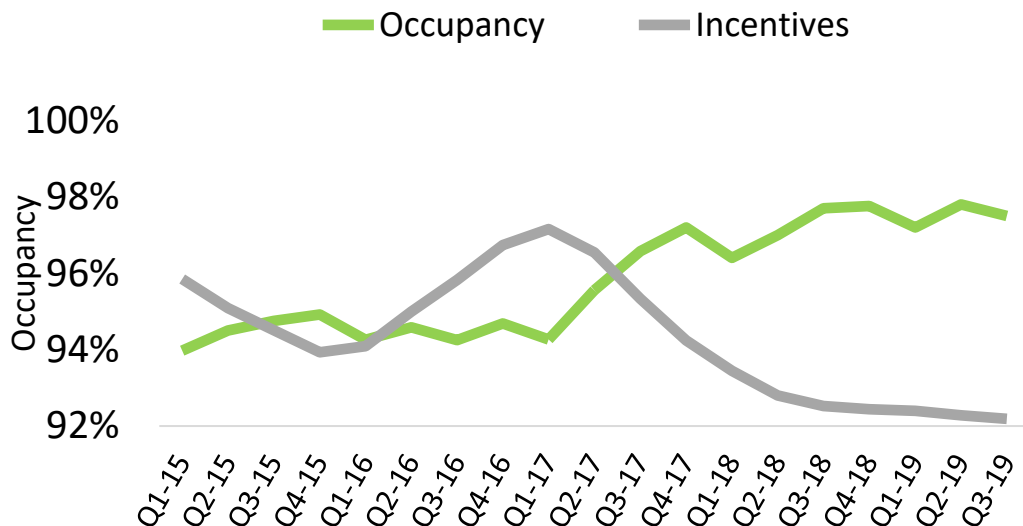
## Current Market Conditions

- Population growth from increased interprovincial and international migration boosts rental demand in 2018, 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 Q3-2019	
% of NOI	<b>23.2%</b>
Units	<b>4,583</b>
Rental Rate Growth	<b>3.5%</b>
Occupancy	<b>97.5%</b>
NOI Growth	<b>4.3%</b>

## Killam's NB Same Property Results



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

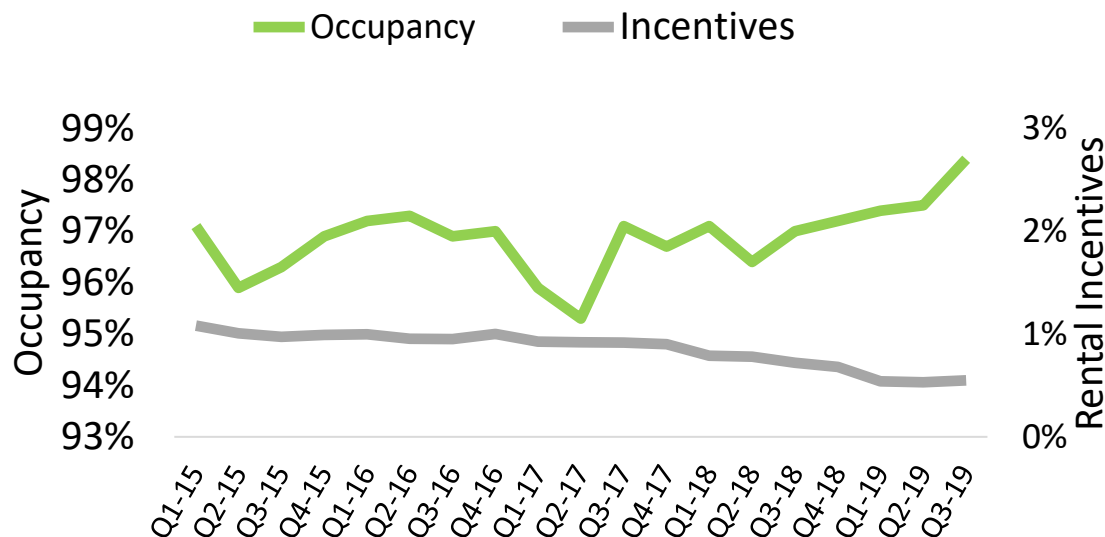
## Current Market Conditions

- Strong economic growth.
- Rising population due to immigration and intra-provincial migration.
- 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 Q3-2019	
% of NOI	18.0%
Units	2,557
Rental Rate Growth	3.4%
Occupancy	98.4%
NOI Growth	7.8%

## 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 2019 and 2018. Same property results represent 84.3% of the fair value of Killam's investment property portfolio as at September 30, 2019. Excluded from same property results in 2019 are acquisitions, dispositions and developments completed in 2018 and 2019, 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 Q3-2019 Management's Discussion and Analysis for further details on these non-IFRS measures and, where applicable, reconciliations to the most directly comparable IFRS measure.



# Q3-2019 Results Conference Call

*November 6, 2019 | 12PM Eastern*

