



# 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, Killam's Management's Discussion and Analysis for the year ended December 31, 2020, 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.

# 2020 | Focusing on Long-term Growth Drivers



### 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.

### 2020 | Strategic Targets





### **Grow Same Property NOI**

- 2020 Target: 3% to 5%
- 2020 Performance: 2.3%
- 2021 Target: >2%, subject to COVID-19 related restrictions being lifted by Q3-2021.





### **Develop High-Quality Properties**

- 2020 Target: Complete Shorefront and start two additional projects.
- 2020 Performance: Completed Shorefront, broke ground on Civic 66 and acquired 50% interest in the active Luma development.
- 2021 Target: Complete 166 units (two buildings) and break ground on two additional developments (>150 units).



### **Expand the Portfolio Through Acquisitions**

- 2020 Target: Acquire a minimum of \$175M.
- 2020 Performance: Acquired \$210M.
- 2021 Target: Acquire a minimum of \$100M.



### **Strengthen the Balance Sheet**

- 2020 Target: Maintain debt as a % of assets ratio below 47%.
- 2020 Performance: 44.6% as of December 31, 2020
- 2021 Target: Maintain debt as a % of assets ratio below 47%.



### **Diversify Geographically**

- 2020 Target: Earn >32% of 2020 NOI outside Atlantic Canada.
- 2020 Performance: 32% of 2020 NOI was from outside Atlantic Canada.
- 2021 Target: Earn >32% of 2021 NOI outside Atlantic Canada.



### **Improve Sustainability**

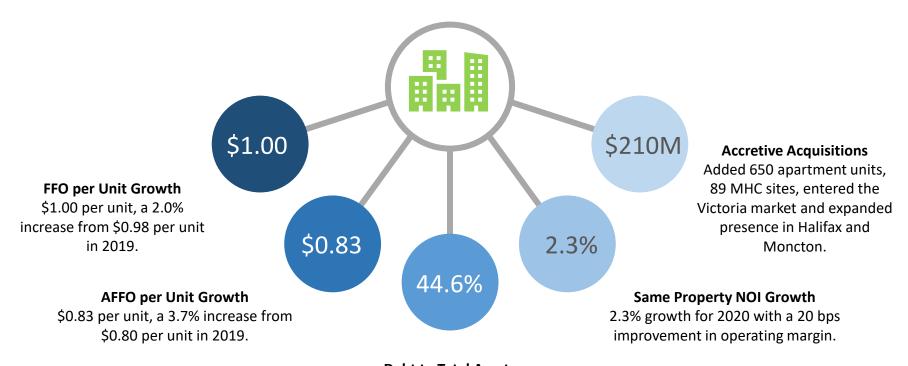
- 2020 Target: Increase Killam's GRESB rating by 15 points.
- 2020 Performance: Realized a 15-point improvement.
- 2021 Target: Minimum \$5M investment in energy initiatives to reduce Killam's carbon footprint.





# 2020 | Highlights



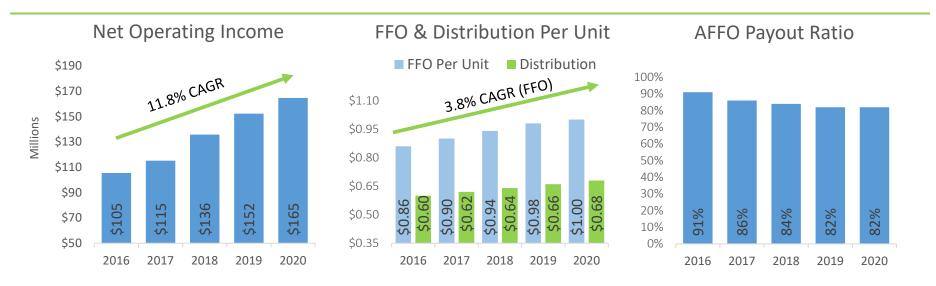


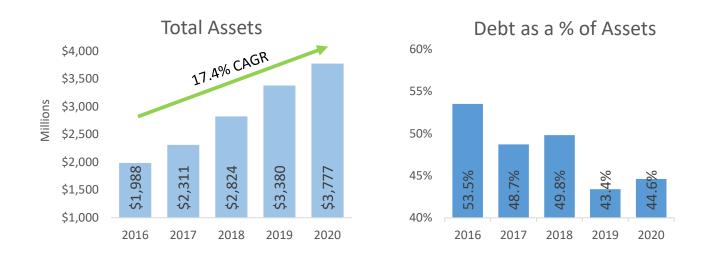
### **Debt to Total Assets**

Flexible capital structure with a conservative balance sheet.

# 2020 | Five Year Lookback of Strong Growth







# Q4-2020 | Financial Highlights



### Completed the year with Q4 revenue and NOI growth

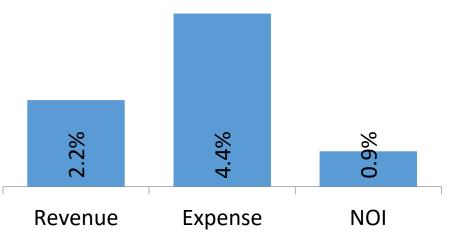
- Generated FFO per unit of \$0.25 and AFFO per unit of \$0.21, both comparable to Q4-2019.
- Strong rental rate growth of 3.3%, partially offset by a 100 bps decrease in occupancy.
- Expense growth of 4.4% due to higher staffing, increased insurance premiums and property tax assessments, and property tax increases, partially offset by lower utility and heating costs, resulting in 0.9% NOI growth for Q4-2020.

### Q4 FFO & AFFO Per Unit



### **Same Property Portfolio Performance**

For the three months ended December 31, 2020



# 2020 | Financial Highlights



### Achieved FFO, AFFO and NOI growth for the year

- Generated FFO per unit of \$1.00, increase of 2.0%, and AFFO per unit of \$0.83, increase of 3.7% from 2019.
- Strong rental rate growth in apartments were partially offset by lower seasonal MHC revenues during COVID restrictions, and lower commercial net revenue.

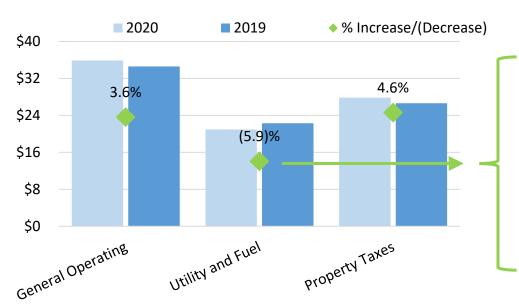
# Same Property Portfolio Performance For the year ended December 31, 2020 \*\*Revenue Growth Same Property Portfolio Performance For the year ended December 31, 2020 \*\*Revenue Expense NOI

### 2020 | Financial Highlights



### **2020 Same Property Expense**

by Category (\$M)



Utility and fuel expenses decreased due to:

- Reduced consumption from energy efficiency projects
- Decreases in natural gas pricing across Killam's three largest regions
- Decrease in the inclusion of unit electricity as part of the monthly rent

### Same Property Expense Growth



### **Same Property Tax Expense Growth**



# 2020 | Apartment Financial Highlights





2018

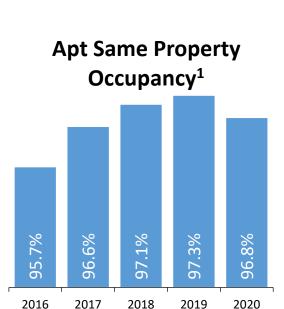
2019

2020

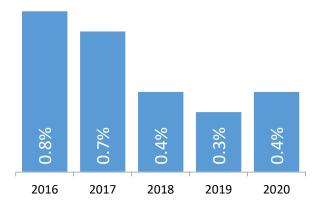
2016

2017

**Apt Same Property Avg** 



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



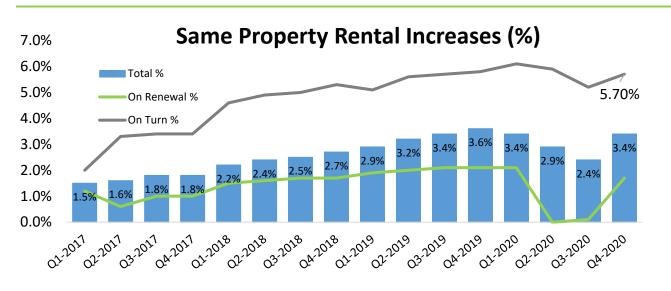
- 1 Measured as dollar vacancy for the year.
- 2 Measured as a percentage of residential rent.

### **Net Revenue Growth of 2.4%**

- Rental rate growth of 3.4%
- Occupancy declined 40 bps
- Modest incentive offerings in only select markets

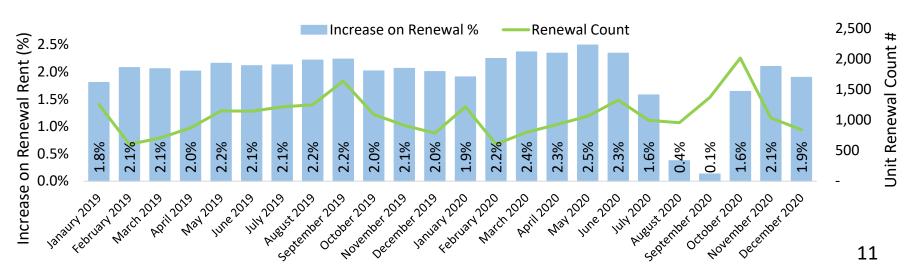
# 2020 | Apartment Financial Highlights





Approximately 70% of Killam's residents renew each year with average increases of 1.8% - 2.5% pre COVID-19. Due to voluntary rent freeze and delayed notice given to tenants renewing July – November, renewal rates were temporarily lower in Q2 and Q3-2020 but started to recover by year-end. (Note that there are rent freezes on renewals in ON and BC for 2021.)

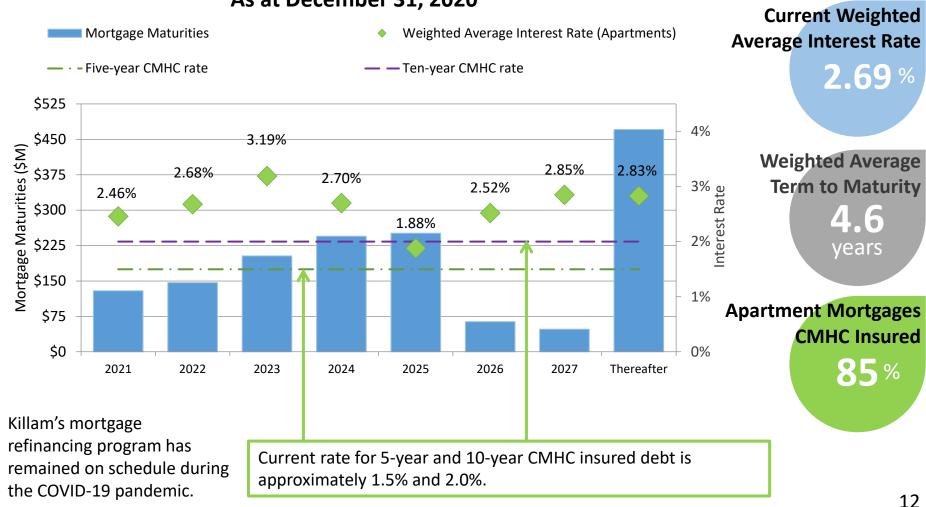
### **Increases on Renewing Rents (%)**



# 2020 | Financial Highlights



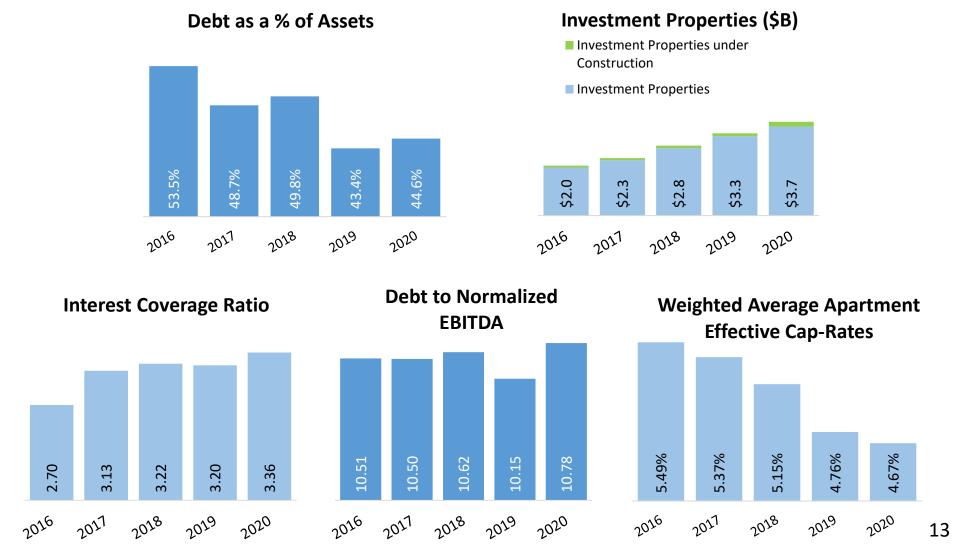
### **Apartment Mortgage Maturities by Year** As at December 31, 2020



# 2020 | Financial Highlights



Increasing value of investment properties with conservative debt metrics.



# 2020 | Growing our existing portfolio



### **Roadmap to Same Property NOI Growth**

### **Revenue Optimization**

- •Data driven decisions on unit renewals and turns to maximize mark-to-market opportunities
- •Repositioning opportunities to meet market demand
- Strong occupancy
- Rising rental rates

### **Expense Management**

- Focused **economies of scale** strategies
- •Risk management plan
- Continual property tax appeals
- Employee investment and training



### **Energy Efficiencies**

- •Energy and water projects ↓ CO2 footprint, ↓ consumption and ↑ earnings
- •\$25M invested to-date on energy efficiencies
- •\$5.9M planned investments in 2021 generating \$0.9M in operating savings with 6.5-year payback



### **Technology Investments**

- •Data driven decisions on revenue optimization and expense management
- •Investment in Customer Relationship Management & Business Intelligence platforms
- Property-level NOI enhancing technology
- •Continuous process improvement



# 2020 | Affordability and Value Delivery



Killam delivers affordable, safe, clean and high-quality housing to our residents across Canada.

- Killam's average rent varies between 15% 25% of the median household income in each of its regions, well below the CMHC maximum threshold of 30% for affordability.
- 50% of Killam's portfolio rents for \$1,100 per month, or less.
- Average rent is \$1.42 per SF across the portfolio.



- Supports affordable housing with more than 750 subsidized units through community partnerships.
- Actively involved as part of the solution. Example: Secured debt through CMHC's Rental Construction Financing initiative (RCFi) program with the Nolan Hill acquisition in Jan 2021.
  - 78 of the 233 units are at 70% of market rents.

Region	Killam's Rent as a % of Median Household Income <sup>(1)</sup>		
Halifax	20.3%		
Ottawa	24.8%		
London	25.0%		
Cambridge	23.7%		
Moncton	18.1%		
Fredericton	18.8%		
Saint John	15.5%		
Charlottetown	19.2%		
St. John's	15.1%		
Calgary	15.2%		
Edmonton	18.7%		

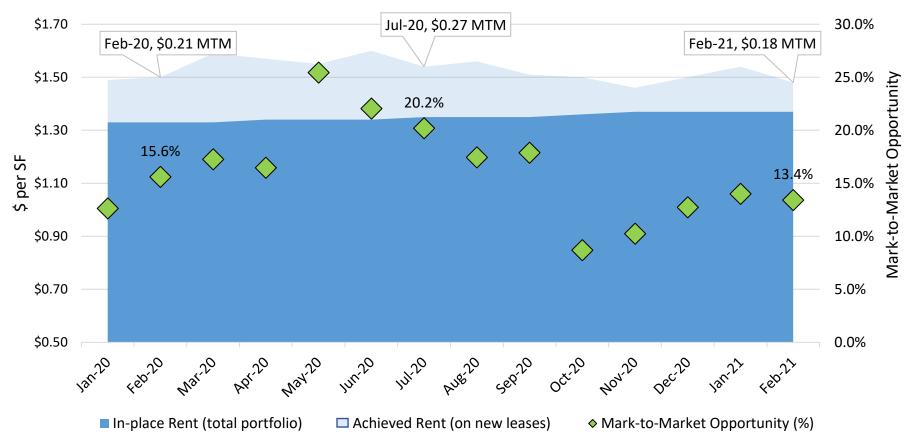
<sup>(1)</sup> Per CMHC Housing Market Information Portal - Median Household Income (Before Taxes), 2016

### 2020 | Revenue Growth - Halifax



With current resiliency in the Halifax market, rental rate growth on turnover is a key longer-term focus.



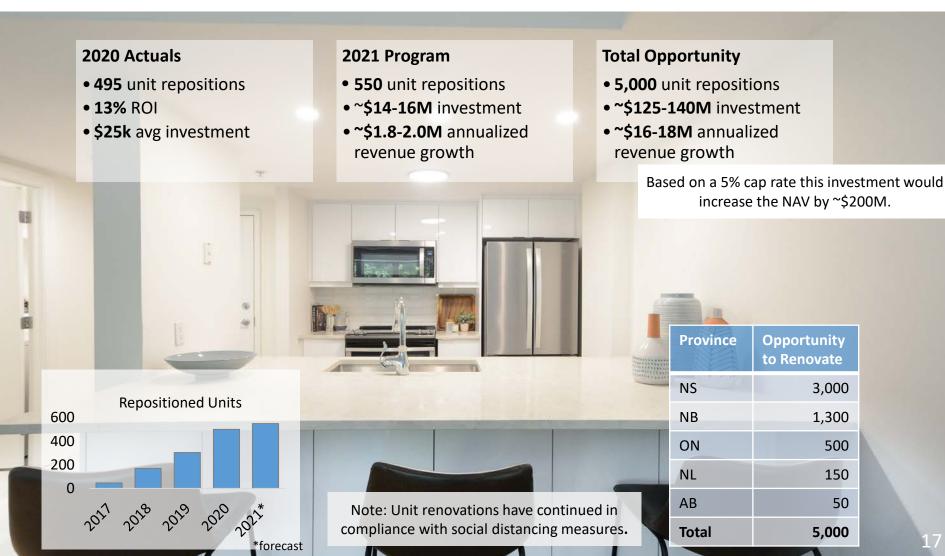


The market rent opportunity in Halifax has remained strong throughout the last 12 months with a ~\$0.18 per SF (or 13%) differential between market and in-place rents across Killam's Halifax apartment portfolio.

# 2020 | Revenue - Renovations



**Revenue growth** through unit repositions to meet market demand.



# 2020 | Revenue - Renovations





# 2020 | Revenue – Renovations





# 2020 | Capital Investment





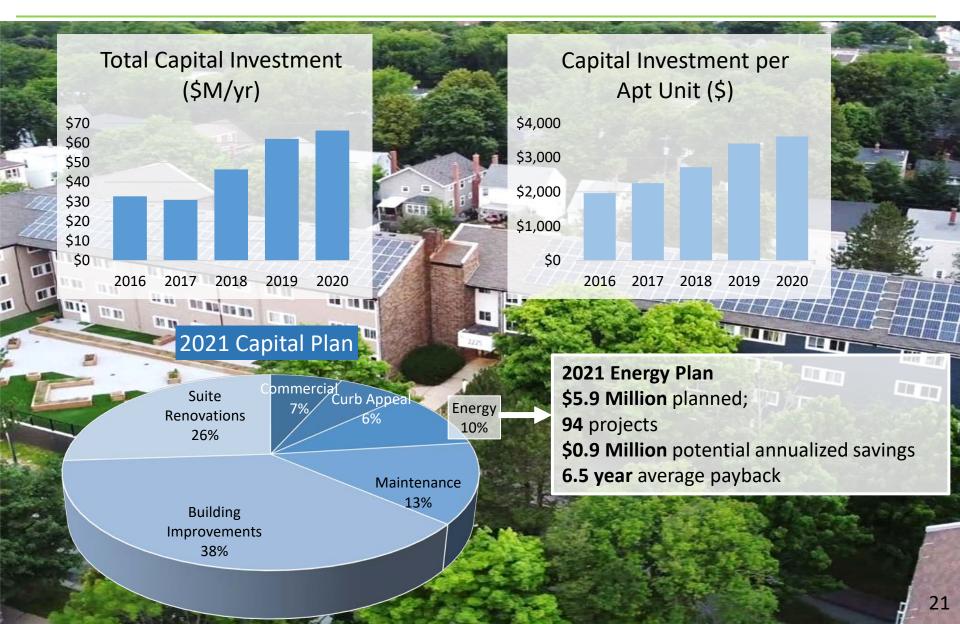






# 2020 | Capital Investment





# 2020 | Killam's Green Commitment



### Increasing earnings from operations through energy efficiency.

Includes increasing the installations of photovoltaic solar panels, smart metering, decreasing peak electric demand, water conservation projects and heating efficiencies at Killam's existing properties.









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

### **Longer-term Targets**

- Reduce GHG emissions by 15%<sup>(1)</sup> by 2030.
- Produce a minimum of 10% of electricity<sup>(2)</sup> through renewable energy sources by 2025.
- (1) Scope 1 & 2 emissions from 2020 levels.
- (2) Operational controlled electricity.

# 2020 | Acquisitions

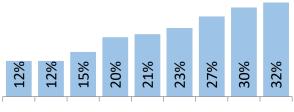


		Property	Location	Acquisition Date	Ownership Interest (%)	Property Type	Purchase Price <sup>(1)</sup> (\$000's)
1	Q1	Christie Point	Victoria, BC	Jan 15, 2020	100%	Apartment	\$54,000
2	Q1	9 Carrington	Halifax, NS	Jan 31, 2020	100%	Apartment	8,800
3	Q1	Domaine Parlee	Shediac, NB	Mar 23, 2020	100%	МНС	3,950
4	Q1	1323-1325 Hollis	Halifax, NS	Mar 31, 2020	100%	Apartment	3,700
5	Q2	Crossing at Belmont	Langford, BC	Apr 30, 2020	100%	Apartment	60,000
6	Q3	3644 & 3670 Kempt Road	Halifax, NS	Jul 15, 2020	100%	Commercial	2,500
7	Q3	Luma	Ottawa, ON	Jul 30, 2020	50%	Dev Land	4,300
8	Q4	171 & 181 Leopold Belliveau Drive	Moncton, NB	Oct 26, 2020	100%	Apartment	17,600
9	Q4	1538 Carlton Street	Halifax, NS	Oct 30, 2020	100%	Dev Land	1,200
9	Q4	88 Sunset	Moncton, NB	Nov 13, 2020	100%	Apartment	55,000
10		Total 2020 Acquisitions					\$211,050

(1) Purchase price does not include transaction costs.



# NOI Generated Outside Atlantic Canada



1012 2013 2014 2015 2016 2017 2018 2019 2020



### 2020 | Acquisitions - Moncton, NB



**Description:** 

171 & 181 Leopold Belliveau Drive

107 units; 2 apartment buildings with 1 and 2 bedroom units

Average rent - \$1,214/month (\$1.20/sf)

**Acquisition Details:** 

\$17.6 million

5.0% capitalization rate

97% occupied

Closed: October 26, 2020

### Location:

Moncton, NB



# 2020 | Acquisitions - Moncton, NB



### **Description:**

88 Sunset Blvd

162 units; 1,426 square feet (sf) average

39 one bedrooms; 986 sf

116 two bedrooms; 1,499 sf

7 three bedrooms; 2,663 sf

Average rent – \$1,885/month (\$1.32/sf)

### **Acquisition Details:**

\$55.0 million

4.5% capitalization rate

82% occupied

Closed: Nov 13, 2020









### 2021 | Acquisitions - Calgary, AB



### **Description:**

- Nolan Hill development in northwest Calgary
- Phase 1 consists of three 4storey buildings
- 233 units; 84 one bedrooms,
   107 two bedrooms and 42
   three bedrooms

### **Affordable Rent Details:**

- 78 units at 70% of market rates, avg. \$1,014 per unit or \$1.20 per SF
- 154 units at market, avg. \$1,403 per unit or \$1.74 per SF
- Secured debt through CMHC Rental Construction Financing initiative (RCFi) (\$40.9 million debt, 1.95% interest rate, 10 year term)

### **Acquisition Details:**

- \$49.5 million (\$231k per unit)\*
- 4.5% capitalization rate
- 31% leased
- Closed: January 21, 2021
- \* Killam invested \$4.8M for a 10% interest in this development in 2018. \$49.5M represents the remaining 90% ownership. Per unit cost includes total Killam costs of \$54.3M. Based on the purchase price of \$55M, or a 100% interest, Killam recorded a fair value gain of \$0.7 million on its 10%



# 2021 | Acquisitions - Calgary, AB





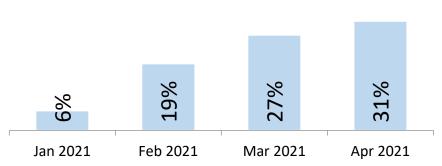
# 2021 | Acquisitions - Calgary, AB







### Occupied/Leased (as of Feb 10<sup>th</sup>)





# 2021 | Acquisitions - Moncton, NB



### **Description:**

54 Assomption Boulevard; built in 2004 23 units; 15 one bdrm and 8 two bdrm units Average rent – \$1,369/month (\$1.43 per SF)

### **Acquisition Details:**

\$5.6 million

4.2% capitalization rate

100% occupied

Closed: February 1, 2021



# 2020 | Development Progress









With Shorefront and Nolan Hill now open, Killam currently has six developments underway, which will add an additional 535 units to Killam's portfolio in the next 18 months at a total cost of ~\$240 million and an expected yield of ~5%.



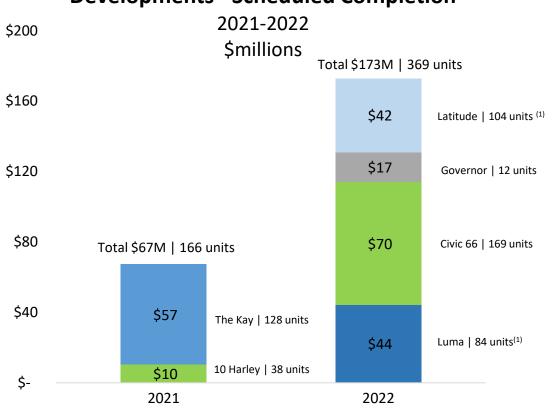




# 2020 | Develop High Quality Properties







# Developing high-quality properties in core markets.

- Over \$600 million (~2,000 units) of developments completed or underway.
- Experienced in-house architect and engineers.
- Extensive development experience with ~\$300 million (~1,100 units) in 12 development projects completed in 2013-2020.

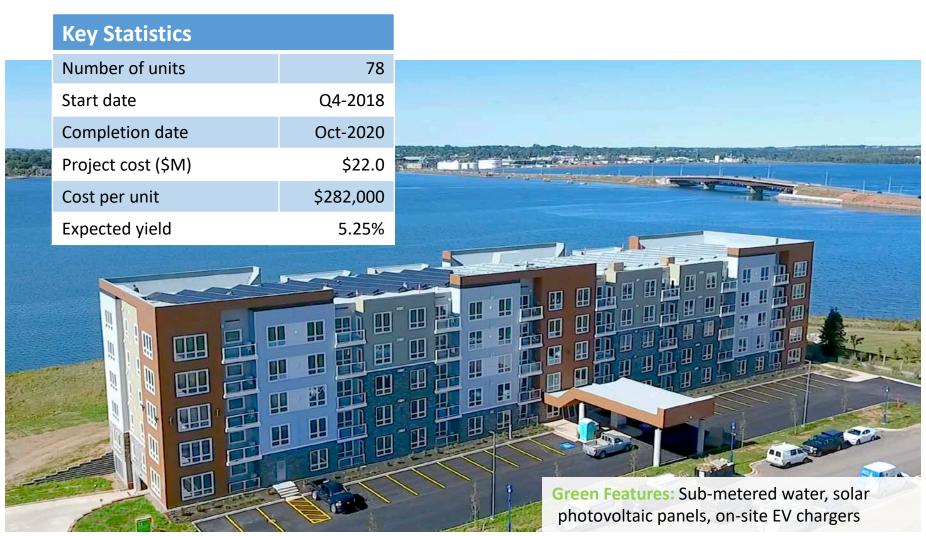
(1) Killam's 50% ownership.

The current pipeline of developments has an expected yield of approximately 5%, contributing to FFO per unit growth in 2022 – 2024.

### 2020 | Development Activity - Charlottetown



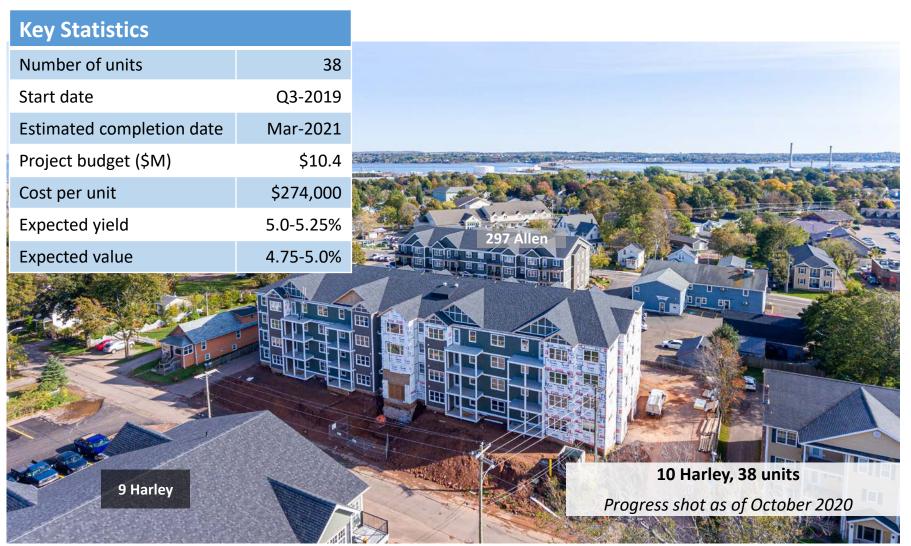
**Shorefront** opened October 1, 2020 and this 78-unit property is currently 55% leased.



# 2020 | Development Activity - Charlottetown



**10 Harley Street** – 38-unit redevelopment in Charlottetown that is over 95% complete and opening in March.



# 2020 | Development Activity - Charlottetown



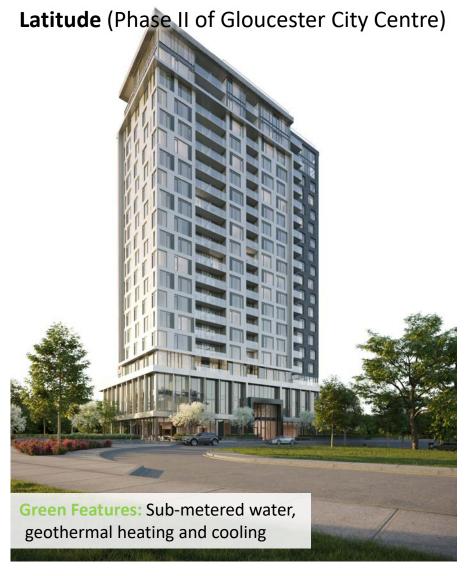






# 2020 | Development Activity - Ottawa







Key Statistics	
Number of units	209
Start date	Q2-2019
Estimated completion date	Q1-2022
Project budget (\$M) <sup>(1)</sup>	\$42.0
Cost per unit	\$402,000
Expected yield	4.75-5.0%
Expected value cap-rate	4.0%
Average unit size	803 SF
Average rent	\$2,085 (\$2.60/SF)

# 2020 | Development Activity - Ottawa



**Latitude**, the second phase of the Gloucester City Centre development, is expected to be completed in Q1-2022.



# 2020 | Development Activity - Mississauga

Silver Spear



<b>Key Statistics</b>	
Number of units	128
Start date	Q3-2019
Est. completion date	Q4-2021
Project budget (\$M)	\$57.0
Cost per unit	\$445,500
Expected yield	4.75-5.0%
Expected value cap-rate	3.5%
Avg unit size	748 SF
Avg rent	\$2.98 per SF

**The Kay** development broke ground in Q3-2019 and is expected to be completed in Q4-2021.



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

# 2020 | Development Activity - Mississauga



The Kay, 128-unit development is expected to be completed in Q4-2021.





# 2020 | Development Activity - Ottawa



### Luma – 168-unit development in Ottawa 50/50 with RioCan REIT.



<b>Key Statistics</b>	
Number of units	168
Estimated completion date	Q2-2022
Project budget (\$M) <sup>(1)</sup>	\$44.3
Cost per unit	\$527,000
Expected yield	4.0-4.25%
Avg rent	\$2.90 per SF
Avg unit size	748 SF

(1) Killam's 50% interest.



# 2020 | Development Activity - Kitchener



**Civic 66** – 169-unit development in Kitchener that broke ground in Q3-2020 and is expected to be completed by Q4-2022.

<b>Key Statistics</b>	
Number of units	169
Start date	Q3-2020
Est. completion date	Q4-2022
Project budget (\$M)	\$69.7
Cost per unit	\$412,000
Expected yield	4.75-5.0%
Avg unit size	780 SF
Avg rent	\$2.77 per SF





# 2020 | Development Activity - Kitchener



**Civic 66** is expected to be completed in late 2022.









# 2020 | Development Pipeline - ~\$1.0 billion



Future Development Opportunities(3)					
		Killam's	Potential #		Est Year of
Property	Location	Interest	of Units <sup>(1)</sup>	Status	Completion
Developments expected to start in 2021					
The Governor <sup>(2)</sup>	Halifax, NS	100%	12	Building permit	2022
Westmount Place (Phase 1)	Waterloo, ON	100%	140	In design and approval process	2024
Developments expected to start in 2022	<u>-2026</u>				
Carlton East & West	Halifax, NS	100%	140	In design	2024
Stratford Land	Charlottetown, PE	100%	175	In design	2024
Sherwood Crossing	Charlottetown, PE	100%	325	In design	2025
Hollis Street	Halifax	100%	90	In design	2025
Gloucester City Centre (Phase 3-4)	Ottawa, ON	50%	200	In design	2025
Westmount Place (Phase 2-5)	Waterloo, ON	100%	908	In design	2028
Additional future development projects					
Gloucester City Centre (Phase 5)	Ottawa, ON	50%	100	Future development	TBD
Kanata Lakes	Ottawa, ON	50%	40	Future development	TBD
St. George Street	Moncton, NB	100%	60	Future development	TBD
15 Haviland Street	Charlottetown, PE	100%	60-90	Future development	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
Total Development Opportunities <sup>(3)</sup> 3,067					

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

 $^{\sim}$  55% 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 \$1.0 billion pipeline at a 100 bps spread would create approximately \$250 million in NAV growth for unitholders.

<sup>(2)</sup> The development is adjacent The Alexander, Killam's newly completed development, and will include 12 large-scale luxury suites.

<sup>(3)</sup> In addition, Killam has a 10% interest in the remaining three phases of Nolan Hill, totaling another 596 units.

### Non-IFRS Measures



### **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 90.3% of the fair value of Killam's investment property portfolio as at December 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.
- Debt to normalized 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 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.

