



# Acadia Investment Council

320 Patterson Hall • Acadia Campus • 24 University Ave. • Wolfville • NS • B4P 2R6

Prepared by Adam Strickland, Ethan Harvey, and Arjun Nair

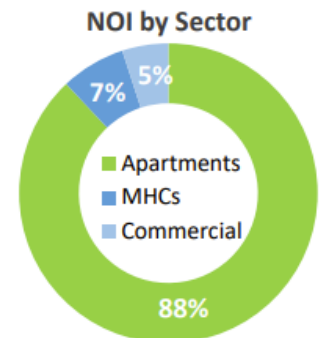
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## Killam Apartment REIT (KMP.TO)

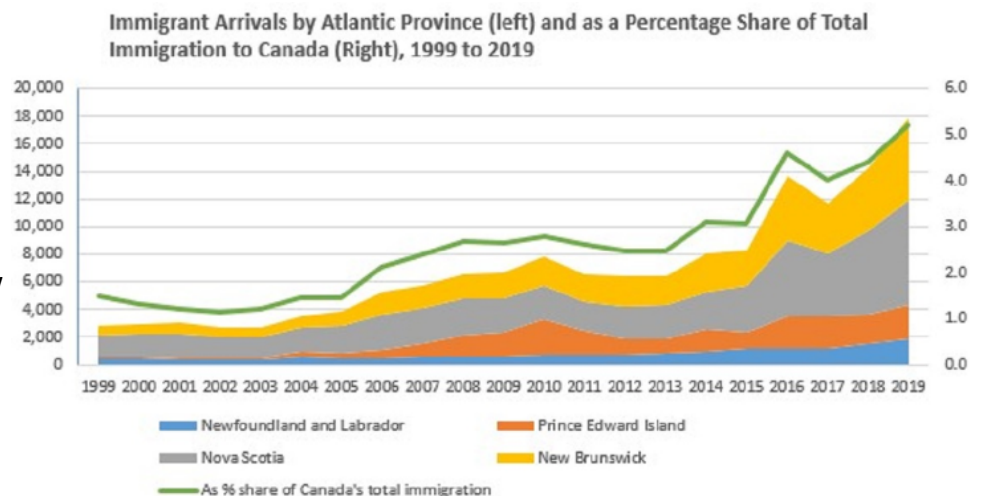
### Overview

Killam Apartment REIT, headquartered in Halifax, Nova Scotia is a growth-oriented REIT. It is one of Canada's largest multi-family residential landlords, with a portfolio worth \$3.8 billion in real estate assets with a focus on major cities in Atlantic Canada, Ontario, BC and Alberta. Killam's long term strategy to maximize value is outlined in three main points: 1) Increase earnings from their existing portfolio. 2) Expand their portfolio and diversify geographically through strategic acquisitions targeting newer properties, 3) develop high-quality properties in Killam's core market.

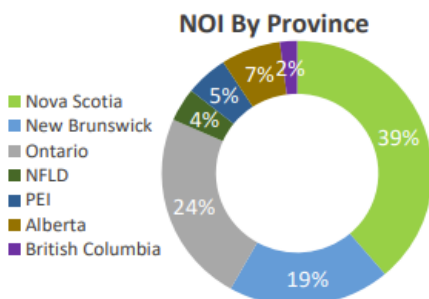


### Macroenvironment

Killam owns over 206 properties and receives 67% of their NOI from Atlantic Canada. Which has seen record population growth in the last 5 years with no indication that it will plateau anytime soon. Due to the new Atlantic Immigration Pilot (AIP) program, Atlantic Canada has seen record immigration in the last 6 years, this is causing an increase in demand for apartments in the area and Killam is benefitting from it.



The average age to buy a home is 36, which reduces the costly turnover rate of tenants. Paired with the increasing number of retirees opting to rent instead of own gives Killam a larger market of potential renters. Killam is entering and expanding into markets with increasing home prices allowing them to take advantage of low vacancy rates and high rent averages. Halifax is one of the hottest markets currently. With an almost 15% average home price increase YoY, and increasing rental rates. Killam has a strategic advantage over their competition that is not located in Atlantic Canada. This portfolio diversity makes Killam better positioned to handle market volatility.



Company	Share Price	MCAP	Dividend	P/AFFO	P/NAV	D/GBV	Occupancy
Killam	\$17.99	1.878B	3.80%	21.67x	1.06	44.60%	96.54%
InterRent	\$13.95	1.926B	2.33%	38.30x	1.12	33.00%	92.10%
Boardwalk	\$37.77	1.927B	2.68%	16.00x	0.86	48.00%	94.83%

## Comparison

Since the last time Killam was pitched the stock has become much more favourable. The P/AFFO is down 16.4%, the P/NAV is down 28.4%, and they have lowered their D/GBV by over 5%. It competes with competition in these metrics very well. Boardwalk beats Killam on two metrics but that is due to their continuing drop in their stock price, which has fallen since 2014. This could be caused by 63% of Boardwalks portfolio being in Alberta, they are exposed to the volatility of the oil industry having effect on the housing demand and prices. Boardwalk just does not have the diversification of Killam and we think that plays a large part in their valuation. InterRent has a lower D/GBV which could under leverage them and cause slower long term growth. Killam has a large portion of their portfolio in Atlantic Canada, which makes them exposed to the benefits of the increasing population and economy and helps lower risk from other areas in Canada. Killam also pays a much higher dividend than their competition.

## Recommendation

We see a lot of long-term growth potential in Killam, they are focussing on lowering their debt risk, increasing their NAV with strategic purchases and renovations, as well as lowering operating expenses across all aspects of their properties. We would like to see this company get around \$17 which would lower the premium paid on the stock. They have a \$1 billion development pipeline and over \$125 million in future renovations to increase value and NOI. Killam's rents are 10-15% less than market value which gives them a lot of room to increase rental rates with natural turnover as well as protect them if market rents drop. This information makes us believe that Killam is well positioned for steady, sustainable growth in the future.