RESEARCH REPORT

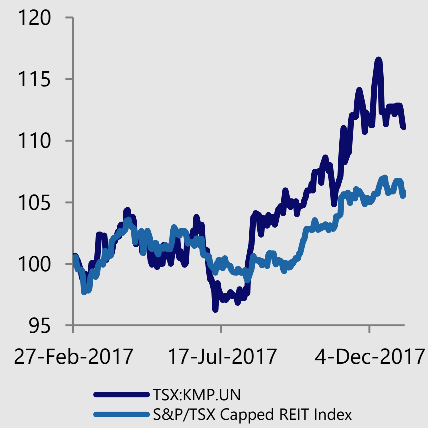
January 8, 2018

Stock Rating	HOLD
Price Target	CAD $14.89

Bear Case	Price Target	Bull Case
$13.50	$14.89	$15.50

Ticker	KMP.UN
Market Cap ($B)	$1.05
P/FFO	15.9x
Net Debt/EBITDA	10.9x

52 Week Performance



Cash Yield

Josh Bitonte
jbitonte@quiconline.com

Brendan Blaikie
bblaikie@quiconline.com

Mark Nerland
mnerland@quiconline.com

Killam Apartment REIT

To Kill or Not to Kill(am)?

KMP.UN Investment Defense

Killam Apartment REIT (TSX:KMP.UN) presents a unique investment opportunity in a mid-sized REIT that is growing both organically and inorganically through portfolio restructuring and geographic diversification.

Investment Rationale (Theses Revisited)

Thesis I: Sustained Organic Growth in Eastern Canadian Market

Thesis II: Long-Term Portfolio Restructuring

As the CY team currently owns KMP, which was pitched in 2015 (with a one-year target price of $11.30), we present a look back at our original investment rationale, what has changed, and our outlook on the REIT's prospects moving forward.

Valuation

In coming to our final target price, we used a blended valuation method by applying equal weightings to both our public comparables analysis and net asset value model. Bringing these two values together, we arrived at a one-year target price of $14.89, implying an all-in return of 10.79%. We remain confident in KMP's ability to deliver organic growth while diversifying its geographic risk by acquiring in high-growth markets. Furthermore, management's ability to execute on its expense reduction program and increase occupancy will allow it to outperform its peers.

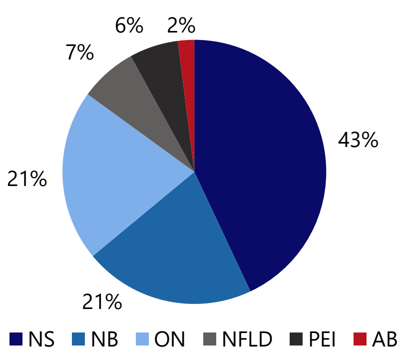
Table of Contents

Company Overview

Killam Apartment REIT (TSX: KMP.UN), based in Halifax, Nova Scotia, is focused on owning, operating, and developing a portfolio of apartment and manufactured home community (MHC) properties. KMP was established to create value through the consolidation of the fragmented apartment and MHC industry in Atlantic Canada. Since its inception, KMP has grown to be the largest apartment owner in Atlantic Canada and the second-largest owner of MHCs nationwide. Though its MHC business segment is growing quickly, its apartment division still dominates its earnings, accounting for ~89% of its total net operating income (NOI).

EXHIBIT I

NOI Concentration in Atlantic Canada



Source(s): Company Reports

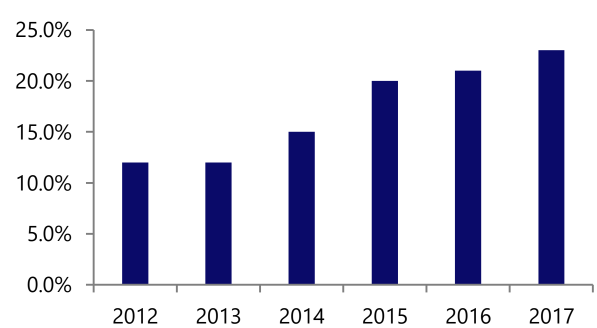
KMP's 184 apartment properties are predominantly concentrated in Atlantic Canada's six largest urban centers, with additional properties in Ontario and Alberta. In Atlantic Canada's core markets, KMP accounts for ~14% of the total multi-family rental units, providing the REIT with substantial pricing power within the market. KMP's MHCs, also known as land-lease communities or trailer parks, are positioned in Ontario and Atlantic Canada, contributing only ~9% of KMP's total NOI. Uniquely, KMP owns all of the land and supporting infrastructure underpinning its MHCs, creating a fully integrated owner-operator system. Going forward, Killam plans on expanding its presence in Ontario and Alberta to a target portfolio composition of 30% by 2020 through acquisitions and developments, diversifying its revenue base and allowing it to capitalize on high-growth regions.

Three major pillars create the foundation of KMP's growth strategy. First, it prioritizes generating same-property NOI (SPNOI) growth, representing a strong desire for occupancy and rent expansion, irrespective of acquisitions, dispositions, and developments. Secondly, management has communicated KMP's aspiration to diversify its geographic exposure by acquiring newer properties at accretive prices. Finally, KMP will prioritize solidifying its presence in core markets through developing high-quality properties.

Throughout 2017, KMP successfully implemented these three pillars, increasing SPNOI by ~5% due to rental growth and expense savings. Similarly, it grew its overall occupancy year-over-year (YoY) by ~1% to ~98%. Additionally, it executed $179 million worth of acquisitions, successfully diversifying its revenue by ~2% while simultaneously reducing its debt to gross book value (D/GBV) by 300 basis points (bps) to 48%. In 2018, KMP will continue to diversify its revenue base, reduce expenses, and benefit from a number of accretive developments.

EXHIBIT II

NOI Generation Outside of Atlantic Canada



Source(s): Company Reports

Industry Overview

Halifax:

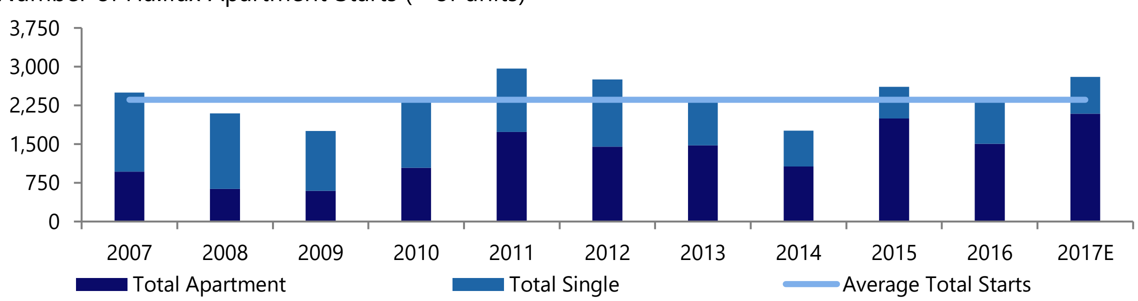
KMP is heavily concentrated in Halifax, comprising 36% of its total NOI and accounting for 47% of Atlantic Canada's rental universe. Halifax has been a target for significant urbanization, immigration, and economic growth over the past few years. Specifically, within the apartment industry, Canadian baby boomers have transitioned from home ownership to apartment living, improving occupancy and rental rates. Halifax's population is anticipated to grow by 4% by 2019 through the Provincial Nominee Program and the recently launched Atlantic Immigration Pilot Program, which incentivizes the employment of immigrants to fill labor gaps. In turn, the CMHC projects the annual employment level to rise by ~2% before 2019. Over the long term, economic growth is expected to be driven by an increase in infrastructure and shipping projects. For example, Irving Shipyard's $25 billion shipbuilding deal and Dalhousie University's $220 million ocean research project will attract both high- and low-educated labor, generating positive long-term economic impacts. Though this will drive an increase in rents, it will be essential to monitor apartment unit starts, as total apartment construction has risen above its long-term average and has significantly outpaced single-family home construction for the past five years. If a surplus of supply floods the market, KMP may suffer from sluggish rental rate growth and vacancy compression; however, at this point, the city is still sustaining positive net absorption.

Ontario & Alberta:

Over the past few years, Ontario and Alberta have become strategic outlets for KMP to diversify its rental income and capitalize on high-growth regions. KMP's Ontario apartment portfolio generates 17% of its NOI and continues to benefit from the province's high demand for rental units and limited supply. In the same light, a widening gap between the cost of homeownership and renting has incentivized many immigrants to seek short-term rental contracts in urban hubs. Therefore, many major Ontarian cities have experienced aggressive rent hikes, increasing affordability challenges for first-time renters. The surplus of demand has also driven up property prices, creating a challenging environment for KMP to source accretive acquisitions and execute on its diversification strategy. In contrast, Alberta only makes up 2% of KMP's apartment portfolio, and its suppressed rental market has allowed it to be overlooked by many real estate investors. Recently, Alberta's rents have stabilized, and the market has gone into recovery, with Alberta registering as the fastest-growing Canadian economy in 2017. Though the rental market is far from its pre-recession rates, it could prove to be a region where KMP can source acquisitions well-below replacement costs.

EXHIBIT III

Rising Number of Halifax Apartment Starts (# of units)



Source(s): CMHC

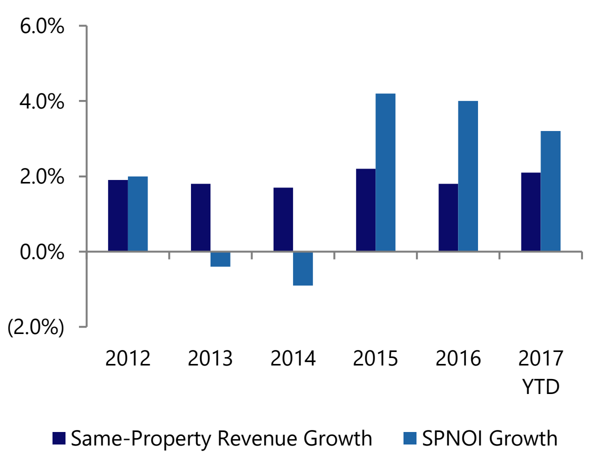
Thesis I: Sustained Organic Growth in Eastern Canadian Market

Killam was originally pitched by the CY team in November 2015 and purchased on May 6th, 2016. When the name was initially presented, the core theses revolved around growing NOI organically in its core Atlantic Canada regions, as well as inorganically through acquisitions of newer properties in Alberta and Ontario. Over the past two years, the firm's performance and NAV growth are illustrative of its success in these endeavors. When KMP was first analyzed, the firm was not yet structured as a REIT—this conversion (an identified catalyst in the initial pitch) took place on January 1st, 2016. Since the more effective tax structure was implemented, the REIT has continued to execute on its growth priorities, returning ~35% since January 1st, 2016 and ~17% since our initial purchase. On December 18th, 2017, the REIT crossed yet another milestone—index inclusion. KMP.UN is now a constituent of our benchmark index, as well as the S&P/TSX Composite Index, unlocking demand by passive investors.

Management has listed strong NOI growth derived from its current portfolio as one of the tenants of the REIT's strategy. The integrated nature of the REIT's operations position it favorably to achieve sustained organic growth. KMP plans to achieve this through both revenue enhancing and margin expansion initiatives. Strong top-line growth has been achieved over the past five years through both rental rate increases (averaging 1.8% in 2017) as well as an overall upward trend in occupancy rates, which currently sit at 96.8% for the apartment portfolio. On the cost management side, KMP is in the midst of implementing its five-year efficiency plan, announced in 2016 to reduce the use of water and energy. KMP has currently committed ~$5M in capital of the ~$25M in identified investment opportunities to begin this cost-cutting plan. These expenditures include such investments as installing more efficient toilets, boilers, and lighting fixtures, forecast to drive energy costs per square foot from ~$1.40 to ~$1.10 by 2021. This capital spending plan is important for the REIT, as variable costs have greatly influenced KMP's SPNOI historically—for example, volatile natural gas prices in Atlantic Canada in 2013 and 2014 was the primary factor driving SPNOI contraction in those years.

EXHIBIT IV

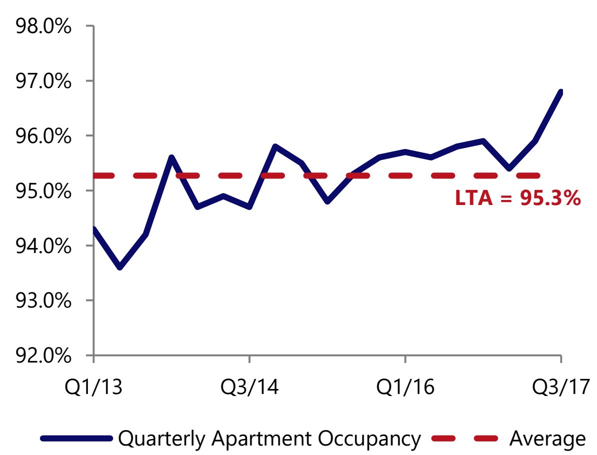
Killam Same-Property Revenue and NOI Growth



Source(s): Company Reports

EXHIBIT V

Killam Quarterly Apartment Occupancy



Source(s): Company Reports

Thesis I: Sustained Organic Growth in Eastern Canadian Market

Killam is the largest multi-res landlord in Atlantic Canada, currently holding ~14% market share. Paired with the fact that ~77% of its NOI is generated in these core regions, Killam is sensitive to the macroeconomic fundamentals in these markets, despite its ongoing diversification initiatives. Growth remains and is forecast to continue across most economic indicators in KMP's most vital markets. 2018 is forecast to be the first year of synchronous growth across all provinces since 2011.

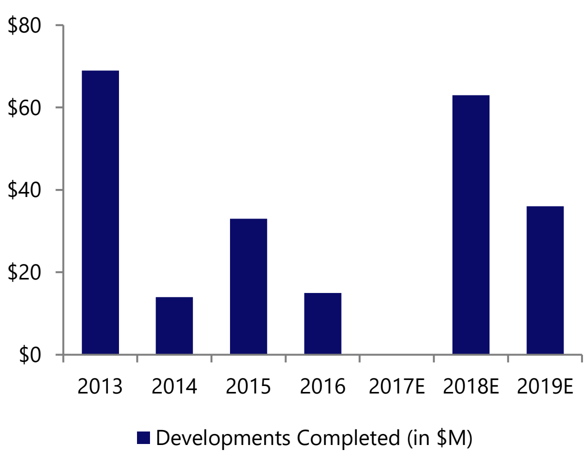
In the event of lackluster economic or population growth in Killam's core regions, the REIT is favorably positioned to exert financial resilience, as a central part of its portfolio strategy is to own and operate high-quality and newer buildings. These properties not only require less maintenance capex, but also garner higher demand amongst renters. Killam currently holds one of the newest apartment portfolios, with 37% of NOI driven from apartments built in or more recently than 2000. Further, while geographic expansion has been noted as a priority for KMP, its desire to maintain its market share dominance in Atlantic Canada amongst rising supply will not been neglected.

Another way in which Killam is able to take advantage of economic growth and compressing cap rates in core markets is through its propensity to maintain a strong development pipeline. The REIT has a current pipeline consisting of ~1,500 units, worth ~$500M. Killam generates value through its developments by targeting yields of 5.0%-6.0%, which are between 0.50%-1.25% higher than its estimated cap rate upon completion.

In addition to funding inorganic expansion, KMP has focused on deleveraging its balance sheet via equity issuances to fund developments and capital investment on its current portfolio of properties. As of Q3/17, the REIT had a target to be under 50% D/GBV by 2020, which it has already met after its November 29th unit issuance, bringing the metric to ~48% and allowing ample liquidity to capitalize on the aforementioned growth initiatives moving forward.

EXHIBIT VI

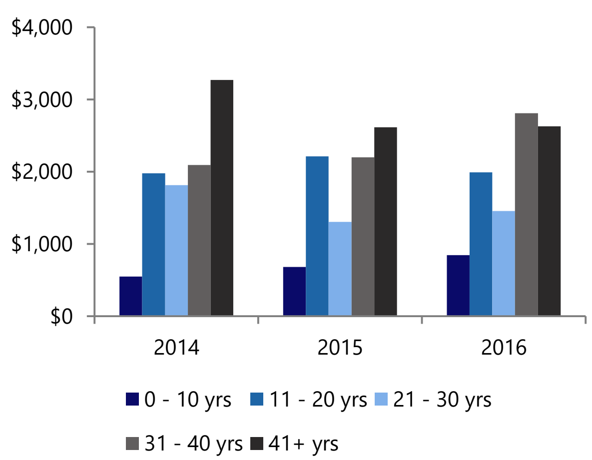
Killam Development Pipeline



Source(s): Company Reports

EXHIBIT VII

Average Capital Spending/Unit by Building Age



Source(s): Company Reports

Thesis II: Long-Term Portfolio Restructuring

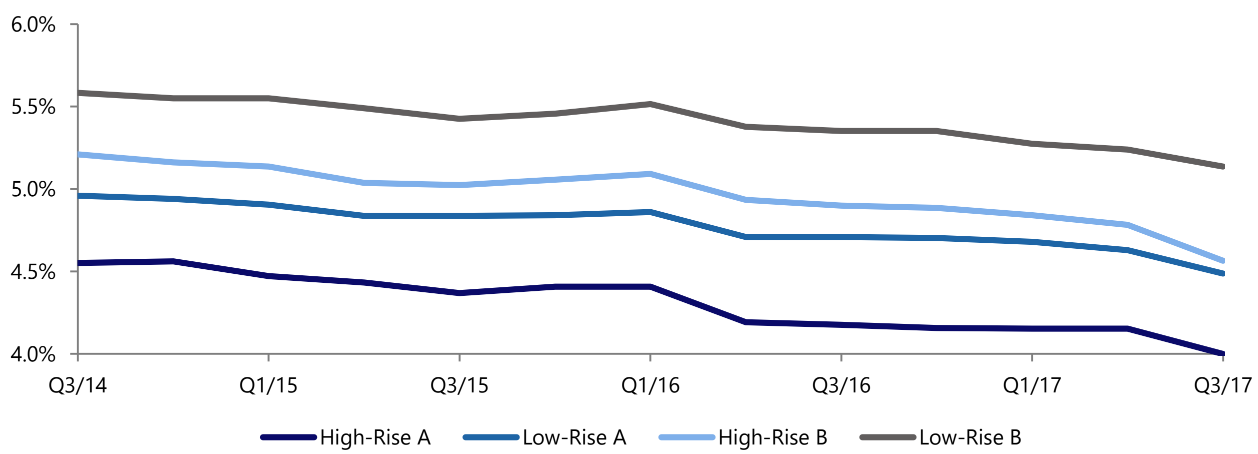
When KMP was first pitched, the CY team firmly believed in management's ability to successfully increase non-Eastern Canadian property market exposure. At the time in 2015, Nova Scotia represented ~46% of total portfolio NOI, which management believes is a relatively large geographic concentration in comparison to the Canadian market as a whole and to peers. This is likely a contributing factor to the discount valuation that KMP has historically traded at. In 2015, the CY team hypothesized that moderate GDP growth in Eastern Canada, as well as migration towards Eastern markets as a result of the ongoing oil glut would increase KMP's rental rates and occupancy, likely supporting stock price appreciation. While we have seen a small amount of this thesis play out, KMP's portfolio restructuring and organic growth are likely the larger factors contributing to strong performance since the REIT was pitched.

KMP's goal in 2015 was to diversify its holdings so that 50% of NOI is derived from outside of Eastern Canada in the long-term (at the time 19% of NOI was derived from outside of Eastern Canada). The REIT has somewhat followed through on this strategic goal, having increased that percentage from just under 20% in 2015 to 23% by Q3/17.

What we can glean from this increase in share is that management is committed to diversifying its property exposure, but will be doing so slowly, with a goal of reaching 30% of NOI derived from outside of Eastern Canada by 2020. As KMP will need to acquire in ultra-low cap rate environments in Ontario and moderate cap rate environments in Alberta, management understands that the diversification process will need to be slow. If valuations in non-Atlantic markets experience any significant correction, this could be a catalyst to KMP's inorganic growth strategy, acquiring well-positioned properties below current valuation levels. While any large-scale market shocking events to Atlantic markets will certainly be more detrimental to KMP than its peers, the CY team prefers the slow and steady diversification approach in comparison to a large-scale portfolio acquisition at current valuation levels.

EXHIBIT VIII

Historically Low Canadian Multi-Res Cap Rates Create Poor Acquisition Environment



Source(s): CBRE, Company Reports

Thesis II: Long-Term Portfolio Restructuring

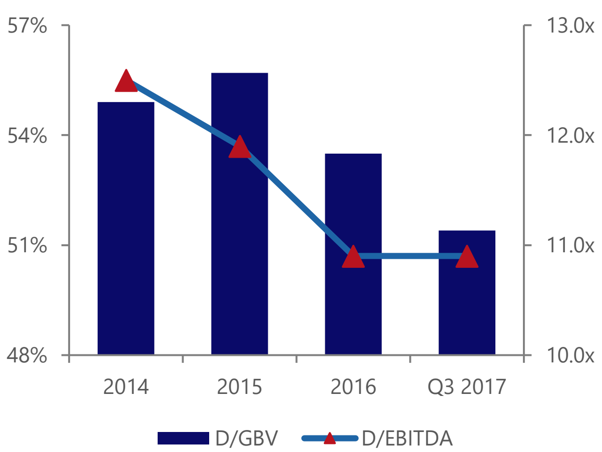
In our view, we see the slow nature of the portfolio diversification as a positive for the REIT, as many REITs that have recently restructured, such as RioCan and Dream Office have had to immediately buy portfolios of properties. KMP is able to generate NAV/unit and NOI growth through this restructuring due to current in-place tenants and growth opportunities that have been outlined earlier in this report. Few REITs have the luxury of completely restructuring their portfolios over as long a time period as KMP and as a result, KMP may be able to use market shocking events and temporary dips in property values as buying opportunities, resulting in lower acquisition costs in comparison to an immediate restructuring.

During fiscal 2017, KMP invested ~$178M in acquisitions, 79% of which were properties outside of Atlantic Canada, beating the REIT's goal of 75% of acquisitions being outside of Atlantic Canada. Even more impressive, KMP has been able to acquire these properties while materially reducing debt to gross-book-value (D/GBV) 510 bps, currently standing at 48%. While KMP has continued to use equity market capital to fund acquisitions and to decrease D/GBV, investors have seemed to applaud management for maintaining a sound balance sheet while growing inorganically.

Ultimately, KMP provides investors with a unique vehicle that is currently restructuring its property portfolio, while simultaneously driving organic growth through cost reduction and rental rate step-ups. It is evident that management has historically, and will likely continue to dominate the Eastern Canadian market, while also acquiring well-positioned properties across the remainder of the Canadian multi-res space. Having grown from a $400,000 listing on the TSXV to a billion dollar real estate investment trust, the CY team continues to believe in the value-add business model that Killam employs. Our confidence in the model is bolstered by the fact that investors have remained patient with management in reaching the diversification goal of 50% of properties being held outside of Atlantic Canada. KMP will be a long-term restructuring play with organic growth opportunities.

EXHIBIT IX

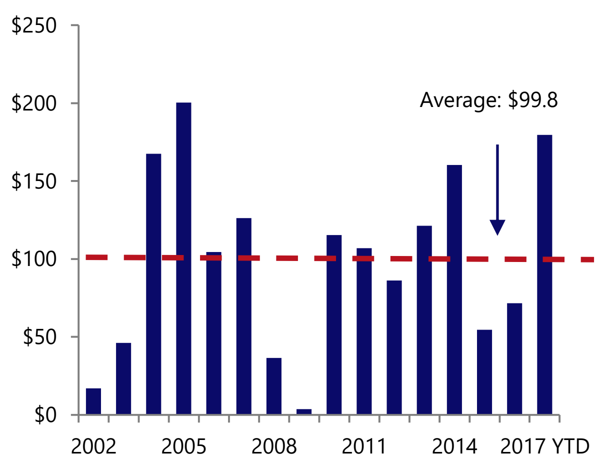
Improving Debt Metrics Through Restructure



Source(s): Company Reports

EXHIBIT X

Acquisition Spend Per Year ($M)



Source(s): Company Reports

Catalysts

I. Passive Fund Flow

As KMP was recently added to S&P/TSX Capped REIT Index, the REIT is likely to experience a small, but significant buying volume increase as a result of index funds adding the REIT to mimic the overall index. While the index addition has already occurred, BMO Equity Research analysts expect the index addition to result in ~3.2 million units of demand. It will be hard to tell if/when this bump will occur, but addition to the index will only serve to increase the REITs coverage from the media and analysts.

II. Atlantic Canada Growth Outperformance

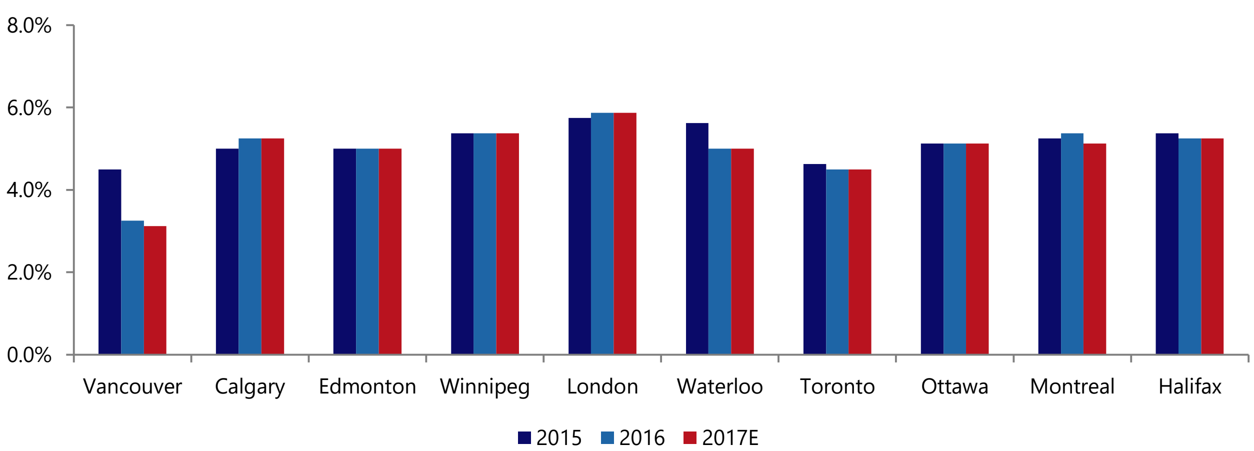
As the REIT derives the majority of its NOI from Atlantic geographies within Canada, material GDP growth outperformance will likely result in more jobs being created in KMP's largest geographic exposures, resulting in increased demand for rental units. While this is also a risk due to portfolio concentration, overall Canadian GDP growth remains strong.

III. Cap Rate Expansion in Non-Core Markets

While expanding cap rates in non-Atlantic markets currently stand at historical lows, an expanding cap rate environment will likely result in a net favourable environment for KMP. While expanding cap rates would effect the ~23% of the portfolio that is located outside of Atlantic Canada, an expanding cap rate environment would support a more favourable acquisition environment. As the REIT has slowly built its non-Atlantic property exposure, achieving the goal of 50% diversification away from Atlantic geographies would be reached much easier if valuations decreased from current all-time high levels in these markets. As the business cycle continues to move along, it is likely that we will see some sort of mean reversion with regard to cap rates and property valuations, which will ultimately aid KMP.

EXHIBIT XI

Cap Rate Compression From All-Time Highs in Non-Core Markets Could Create Acquisition Opportunities



Source(s): CBRE, JLL

Risks

I. Below-Average Growth in Atlantic Canada

While KMP has performed well over our holding period on both an absolute and relative basis, this has led to its trading at a significant premium over NAV, relative to its historical valuation. Though KMP's dominance in Atlantic Canada, alongside its continued geographic NOI diversification give us sustained conviction in the name, the fact that three out of four provinces in Atlantic Canada are forecast to grow below the national average presents considerable risks to benchmark outperformance in the event of a surprise economic contraction in these regions. Poor GDP or population growth in Atlantic Canada may stifle prospects for organic growth and garner a future valuation for KMP which is more in line with NAV.

II. Challenging Acquisition Landscape

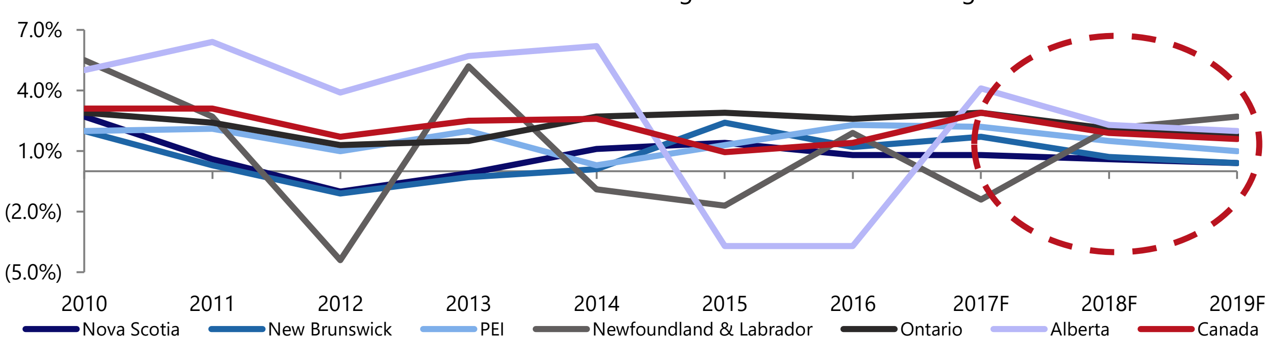
Killam seeks similar characteristics in its acquisition targets as its current portfolio, searching for newer, high-quality properties. KMP has communicated a particular emphasis on continuing to inorganically increase its exposure to the provinces of Alberta and Ontario. While the REIT may find attractive opportunities in Alberta as the local economy begins to recover, the market in many core cities of Ontario are both highly competitive and expensive. Finding accretive acquisition opportunities may prove challenging in many of these cities, due to the rate at which cap rates have compressed and the supply-demand imbalance that can be seen in downtown hubs. To illustrate, as of Q3/17, cap rates for high-rise Class A apartment buildings in Toronto were in the range of 3.00%-3.75%, compared to 4.75%-5.25% for Halifax, KMP's most prominent market.

III. Variable Cost Volatility

As can be seen by examining KMP's historical NOI growth, volatility in energy prices has the ability to severely erode the REIT's financial performance in a given year. Utility costs can be influenced by the price of natural gas, the weather/climate over a season, or consumption patterns. If rental rate increases are insufficient to compensate for a period of rapidly increasing prices, margin compression results. Utility and fuel costs remain significant for the REIT, comprising 28% of total same-property operating expenses year-to-date as of Q3/17. While the drivers of these costs are largely out of the REIT's control, the continued implementation of KMP's initiatives aimed at curbing the energy consumption needs of its properties remains an effective potential mitigant moving forward.

EXHIBIT XII

GDP Growth in Core Provinces – Most of Atlantic Canada Lags Behind National Average



Source(s): RBC Economics, World Bank

Valuation

EXHIBIT XIII

Central & Atlantic Canada Multi-Residential Comparables Analysis

Multi-Res Company	Market Capitalization	Enterprise Value	Debt / EV	Net Debt / EBITDA	Price / FFO 2017E	Price / FFO 2018E	FFO CAGR ('15-'18)	Price / AFFO 2017E	Price / AFFO 2018E	AFFO CAGR ('15-'18)	Dividend Yield	Prem/(Disc) to NAV
Canadian Apartment Properties REIT	$4,975	$8,757	44.8%	10.6x	20.1x	19.3x	6.2%	24.2x	23.3x	3.7%	3.5%	4.9%
Northview Apartment REIT	$1,400	$3,280	58.1%	10.7x	11.5x	11.0x	(2.3%)	14.2x	13.4x	(3.9%)	6.7%	1.4%
Killam Apartment REIT	$1,045	$2,166	52.0%	10.9x	15.9x	15.2x	8.2%	20.2x	19.2x	5.9%	4.4%	2.6%
Morguard North American Residential I	$512	$2,153	77.1%	14.9x	12.3x	11.6x	12.2%	14.8x	14.1x	14.2%	4.3%	(18.9%)
InterRent REIT	$776	$1,542	50.3%	13.8x	22.4x	19.6x	13.5%	26.5x	22.9x	14.5%	2.9%	4.4%
Melcor Developments Ltd.	$514	$1,215	53.0%	7.3x	10.4x	9.6x	(18.9%)	nmf	nmf	nmf	3.4%	nmf
Mean	**$1,537**	**$3,186**	**55.9%**	**11.4x**	**15.4x**	**14.4x**	**3.1%**	**20.0x**	**18.6x**	**6.9%**	**4.2%**	**(1.1%)**
Median	**$911**	**$2,160**	**52.5%**	**10.8x**	**14.1x**	**13.4x**	**7.2%**	**20.2x**	**19.2x**	**5.9%**	**3.9%**	**2.6%**

Source(s): Capital IQ

EXHIBIT XIV

Total Returns Sensitivity Analysis

FTM P/FFO	% Change in Forward 12-Months FFO/Unit (3.0%)	(2.0%)	(1.0%)	0.0%	1.0%	2.0%	3.0%
14.5x	(7.57%)	(6.62%)	(5.67%)	(4.71%)	(3.76%)	(2.81%)	(1.86%)
15.0x	(4.39%)	(3.40%)	(2.41%)	(1.43%)	(0.44%)	0.54%	1.53%
15.5x	(1.20%)	(0.18%)	0.84%	1.86%	2.88%	3.89%	4.91%
16.0x	1.99%	3.04%	4.09%	5.14%	6.19%	7.25%	8.30%
16.5x	5.18%	6.26%	7.34%	8.43%	9.51%	10.60%	11.68%

EXHIBIT XV

Comparables Target Price

Comparables Target Price	
Current Price	$14.00
FTM FFO/Unit	0.92
FTM P/FFO	15.5x
Implied Share Price	$14.26
Implied SP Return	**1.86%**
FTM AFFO/Unit	0.74
FTM P/AFFO	18.4x
Implied Share Price	$13.61

Valuation

In completing our comparables analysis, we assessed multi-res REITs with assets concentrated in Central and Atlantic Canada to reflect KMP's current and future portfolio. We remained conservative in our estimates, using analyst consensus FTM FFO estimates and assuming a conservative 15.5x P/FFO multiple. When taking into consideration KMP's dividend yield of 4.4%, we come to a total return of 1.86%.

KMP has historically traded at a -6% discount to its NAV and has recently transitioned to trade at a premium, reflecting its fully integrated management structure, and value-add development pipeline. Similarly, as displayed by the comparables analysis, its peers are also trading at premiums compared to their net asset values. This characterizes investor confidence in Central and Atlantic Canada's multi-residential rental market, which has been bolstered by immigration and limited supply levels.

Due to the fact that KMP is trading at a premium compared to its peer average, we adjusted our estimates and assumptions to reflect a more conservative value and build a margin of safety into our valuation.

Valuation

EXHIBIT XVI

Net Asset Value

NAV Summary	
FTM NOI	$123
Blended Cap Rate	5.50%
Value of Capitalized Income	$2,236
Land Under Development	$120
Non-Real Estate Assets	$22
Total Assets	$2,378
Less: Net Debt	$1,126
Less: Claims on Equity	0.123
Net Asset Value:	$1,252
Diluted Shares Outstanding	80.7
Net Asset Value Per Share	$15.52
Assigned Prem / (Disc) to NAV	0%
Implied Share Price	$15.52

EXHIBIT XVII

Total Return Sensitivity Analysis

Assumed Cap Rate	% Change in Forward 12-Months NOI						
	(3.0%)	(2.0%)	(1.0%)	0.0%	1.0%	2.0%	3.0%
5.00%	28.8%	31.0%	33.2%	35.4%	37.5%	39.7%	41.9%
5.25%	18.8%	20.8%	22.9%	25.0%	27.1%	29.1%	31.2%
5.50%	9.6%	11.6%	13.6%	15.6%	17.5%	19.5%	21.5%
5.75%	1.3%	3.2%	5.1%	7.0%	8.9%	10.7%	12.6%
6.00%	(6.4%)	(4.6%)	(2.7%)	(0.9%)	0.9%	2.7%	4.5%

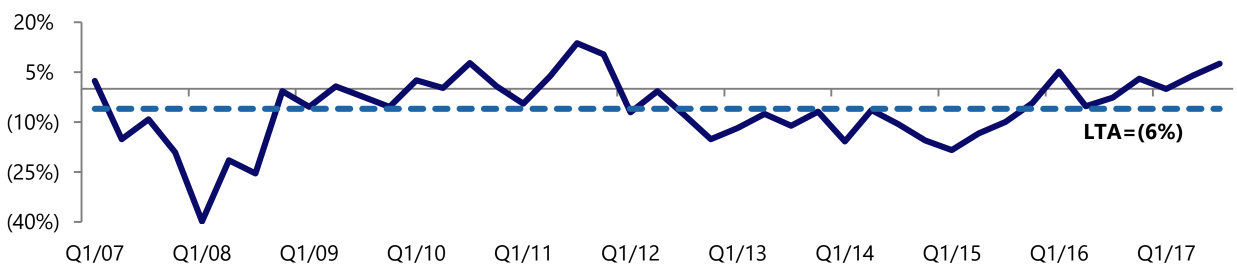
EXHIBIT XVIII

NAV Target Price

NAV Target Price	
Current Price	$14.00
NAVPU	$15.52
Current P/NAV	90.2%
Target P/NAV	100.0%
FTM Target Price	**$15.52**

EXHIBIT XIX

Historical Discount/Premium to NAV



Source(s): RBC Capital Markets and Company Reports

Valuation

For our net asset valuation, we used a 5.5% cap rate, which aligns with analyst estimates. We applied this to KMP's consensus forward twelve months NOI, deriving a net asset value of $15.52 per share. To mirror our comparables valuation we assumed no premium or discount on our NAVPU, to ensure against any slippage in Atlanta Canada's current rental rates.

With the calculated NAVPU we come to an all-in return of 15.6% on a forward twelve-month basis. As depicted by the total returns sensitivity analysis, any minor adjustment in the cap rate can significantly alter the total return, as cap rates are a key component underpinning the net asset value.

Valuation

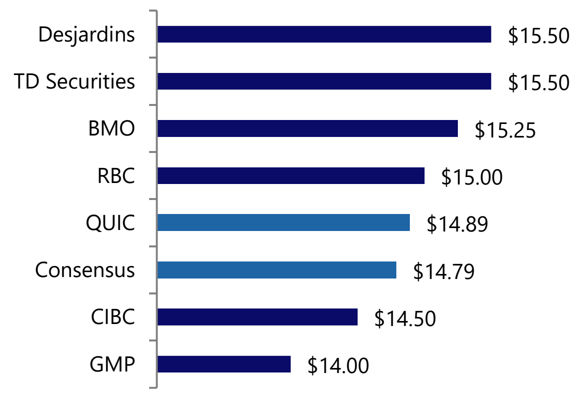
EXHIBIT XX

Blended QUIC Valuation

Blended QUIC Valuation		
Method	Weight	Target
Net Asset Value	50.00%	$15.52
Comparables (@15.5x FTM P/FFO)	50.00%	$14.26
Implied Target Price		$14.89
Share Price (January 6, 2017)		$14.00
Implied Share Price Return		**6.36%**
Distribution Yield		4.43%
Implied Total Return		**10.79%**
Implied Prem/(Disc) to NAV		(4.06%)

EXHIBIT XXI

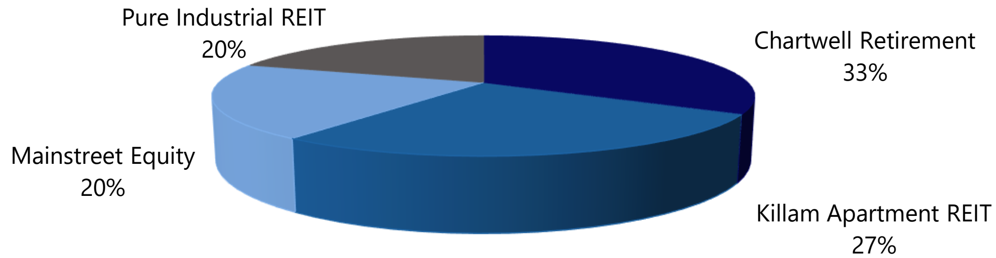
QUIC Versus Analyst Target Price



Source(s): Capital IQ

EXHIBIT XXII

Pro-Forma Cash Yield Portfolio Weighting



Source(s): Bloomberg, Capital IQ

Conclusion

When equally blending our comparables analysis and NAV, we come to our final forward twelve-month target price of $15.52. Factoring in KMP's 4.4% yield, we arrive at an all-in return of 10.79%.

We remain confident in KMP's ability to deliver organic growth, while diversifying its geographic risk by acquiring in Alberta and Ontario. We believe its long-term acquisition approach will allow the company to penetrate competitive markets below replacement cost. Similarly, KMP's focus on reducing expenses and increasing occupancy will enable it to achieve superior SPNOI compared to peers. We will continue to monitor Atlantic Canada's economic activity and apartment supply. We will continue to hold the name for as long as we are confident in KMP's underlying markets and management's ability to execute on its strategic objectives.

References

1. Bloomberg
2. Capital IQ
3. CBRE
4. CMHC
5. Company Reports
6. JLL
7. RBC Capital Markets
8. RBC Economics
9. SNL
10. World Bank