

Q218

# EARNINGS TELECONFERENCE

TSX | CAR.UN

AUGUST 13, 2018



# DISCLAIMER

Today's session and our answers to questions contain statements that constitute forward-looking statements about expected future events and financial and operating results of CAPREIT. These statements represent CAPREIT's intentions, plans, expectations and beliefs as of the date hereof and are subject to certain risks and uncertainties. These statements are based on certain factors and assumptions regarding expected growth, results of operations, performance and business prospects and opportunities. Although such forward-looking statements are based upon assumptions that management believes are reasonable, there can be no assurance that actual results will be consistent with these forward-looking statements and actual results in future periods may differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties are more fully described in CAPREIT's regulatory filings, including our Annual Information Form and Managements' Discussion and Analysis of the Results of Operations and Financial Condition, all of which can be obtained on SEDAR at [www.sedar.com](http://www.sedar.com). Investors should not place undue reliance on any such forward-looking statements. Subject to applicable law, CAPREIT does not undertake any obligation to update or revise any forward-looking information.

## **Non-IFRS Financial Measures**

CAPREIT prepares and releases unaudited consolidated interim financial statements and audited consolidated annual financial statements in accordance with International Financial Reporting Standards ("IFRS"). In this MD&A, and in earnings releases and investor conference calls, as a complement to results provided in accordance with IFRS, CAPREIT also discloses and discusses certain financial measures not recognized under IFRS and that do not have standard meanings prescribed by IFRS. These include stabilized net rental income ("Stabilized NOI"), Funds From Operations ("FFO"), Normalized Funds From Operations ("NFFO"), Adjusted Cash Flow from Operations ("ACFO"), FFO and NFFO per Unit amounts and FFO, NFFO and ACFO payout ratios, and Adjusted Cash Generated from Operating Activities (collectively, the "Non-IFRS Measures"). Since these measures are not recognized under IFRS, they may not be comparable to similarly titled measures reported by other issuers. CAPREIT has presented the Non-IFRS measures because Management believes these Non-IFRS measures are relevant measures of the ability of CAPREIT to earn revenue and to evaluate CAPREIT's performance and cash flows. A reconciliation of these Non-IFRS measures to the comparable IFRS measures, along with further definitions and discussion, is provided in Section III under Non-IFRS Financial Measures. The Non-IFRS measures should not be construed as alternatives to net income (loss) or cash flows from operating activities determined in accordance with IFRS as indicators of CAPREIT's performance or sustainability of our distributions.





DAVID EHRlich  
PRESIDENT & CEO



# MOMENTUM CONTINUES IN Q2

| Three Months to June 30, | 2018     | 2017     | Change (%) |
|--------------------------|----------|----------|------------|
| Operating Revenues       | \$170.6M | \$157.1M | ↑ 8.6      |
| NOI                      | \$110.9M | \$98.7M  | ↑ 12.3     |
| NFFO                     | \$76.8M  | \$63.6M  | ↑ 20.8     |
| NFFO per Unit            | \$0.535  | \$0.469  | ↑ 14.1     |
| NFFO Payout Ratio        | 62.2%    | 69.3%    |            |

# EXCEPTIONAL YTD RESULTS

Operating Revenues

↑ 8.3%

NOI

↑ 12.1%

Same Property NOI

↑ 7.4%

Normalized Funds from Operations

↑ 15.9%

NFFO per Unit

↑ 11.2%

Strong NFFO Payout Ratio

65.9%



MARK KENNEY  
CHIEF OPERATING OFFICER



# CAPITALIZING ON STRONG RENTAL GROWTH

| As at June 30,<br>(properties owned<br>prior to June 30, 2017) | 2018         |             | 2017         |             | AMR<br>Change<br>(%) |
|----------------------------------------------------------------|--------------|-------------|--------------|-------------|----------------------|
|                                                                | AMR (\$)     | Occ. (%)    | AMR (\$)     | Occ. (%)    |                      |
| Ontario                                                        | 1,289        | 99.5        | 1,230        | 99.4        | 4.8                  |
| Quebec                                                         | 932          | 98.3        | 903          | 97.6        | 3.2                  |
| British Columbia                                               | 1,243        | 99.9        | 1,161        | 99.9        | 7.1                  |
| Alberta                                                        | 1,064        | 98.5        | 1,067        | 98.4        | (0.3)                |
| Nova Scotia                                                    | 1,098        | 97.6        | 1,018        | 91.4        | 7.9                  |
| Saskatchewan                                                   | 1,019        | 96.1        | 1,021        | 97.0        | (0.2)                |
| P.E.I                                                          | 1,014        | 99.1        | 987          | 98.3        | 2.7                  |
| Netherlands                                                    | 1,129        | 97.5        | 997          | 95.6        | 13.2                 |
| MHC Sites                                                      | 392          | 97.9        | 383          | 98.4        | 2.3                  |
| <b>Total</b>                                                   | <b>1,061</b> | <b>98.9</b> | <b>1,015</b> | <b>98.6</b> | <b>4.5</b>           |



# HIGHLY POSITIVE INCREASES ON TURNOVER

| Suite Turnovers and Renewals | Three Months Ended June 30, |      |               |     | Six Months Ended June 30, |      |               |     |
|------------------------------|-----------------------------|------|---------------|-----|---------------------------|------|---------------|-----|
|                              | 2018                        |      | 2017          |     | 2018                      |      | 2017          |     |
|                              | Change in AMR               |      | Change in AMR |     | Change in AMR             |      | Change in AMR |     |
|                              | \$                          | %    | \$            | %   | \$                        | %    | \$            | %   |
| Suite Turnovers              | 123                         | 10.5 | 66            | 5.9 | 117                       | 10.1 | 57            | 5.1 |
| Lease Renewals               | 26                          | 2.2  | 22            | 1.9 | 26                        | 2.2  | 21            | 1.9 |
| Weighted Avg.                | 46                          | 3.9  | 32            | 2.8 | 44                        | 3.8  | 29            | 2.6 |

Percentage of suites turned over or renewed during the year is based on the total number of residential suites (excluding co-ownerships and the Netherland properties) held at the end of the period



# INDUSTRY-LEADING ORGANIC GROWTH

| Six Months Ended June 30,                   | 2018   | 2017  |
|---------------------------------------------|--------|-------|
| Stabilized Portfolio (% of total)           | 95.8%  | 99.2% |
| Strong Stable NOI Margin                    | 62.7%  | 60.9% |
| Change in Operating Revenues <sup>(1)</sup> | 4.3%   |       |
| Change in Operating Costs <sup>(1)</sup>    | (0.6%) |       |
| Increase in Same Property NOI               | ↑ 7.4% |       |

7.7% Organic Growth in Q2 2018

(1) Based on a Stabilized Portfolio



# SUCCESSFUL INTERNATIONAL EXPANSION



- Acquired portfolio of Dublin, Ireland apartments in March 2014
- IRES IPO in April 2014
- Strong recurring revenues
  - \$15.9 million received 2014 – 2017
  - \$3.5 million to date in 2018, up 21%
- 18.0% CAPREIT retained interest
  - Increased ownership position in Q2 2018
  - \$13.3 million in dividends to date since IPO



# FURTHER PORTFOLIO DIVERSIFICATION

## Expanding presence in The Netherlands:

- Growing portfolio well-located in major centres
  - 2,091 suites acquired to date
- €353.7 million invested in 19 months
- Continue to have a deep pool of acquisition opportunities
- Strong market demand for quality rental accommodation
- New management office to enhance performance





SCOTT CRYER  
CHIEF FINANCIAL OFFICER



# STRONG & FLEXIBLE FINANCIAL POSITION

| As at June 30,                          | 2018    | 2017    |
|-----------------------------------------|---------|---------|
| Total Debt to GBV                       | 40.5%   | 44.0%   |
| Total Debt to Gross Historical Cost     | 53.3%   | 54.6%   |
| Weighted Average Mortgage Interest Rate | 3.08%   | 3.14%   |
| Weighted Average Term to Maturity       | 5.2 yrs | 5.9 yrs |
| Debt Service Coverage                   | 1.69x   | 1.63x   |
| Interest Coverage                       | 3.31x   | 3.16x   |

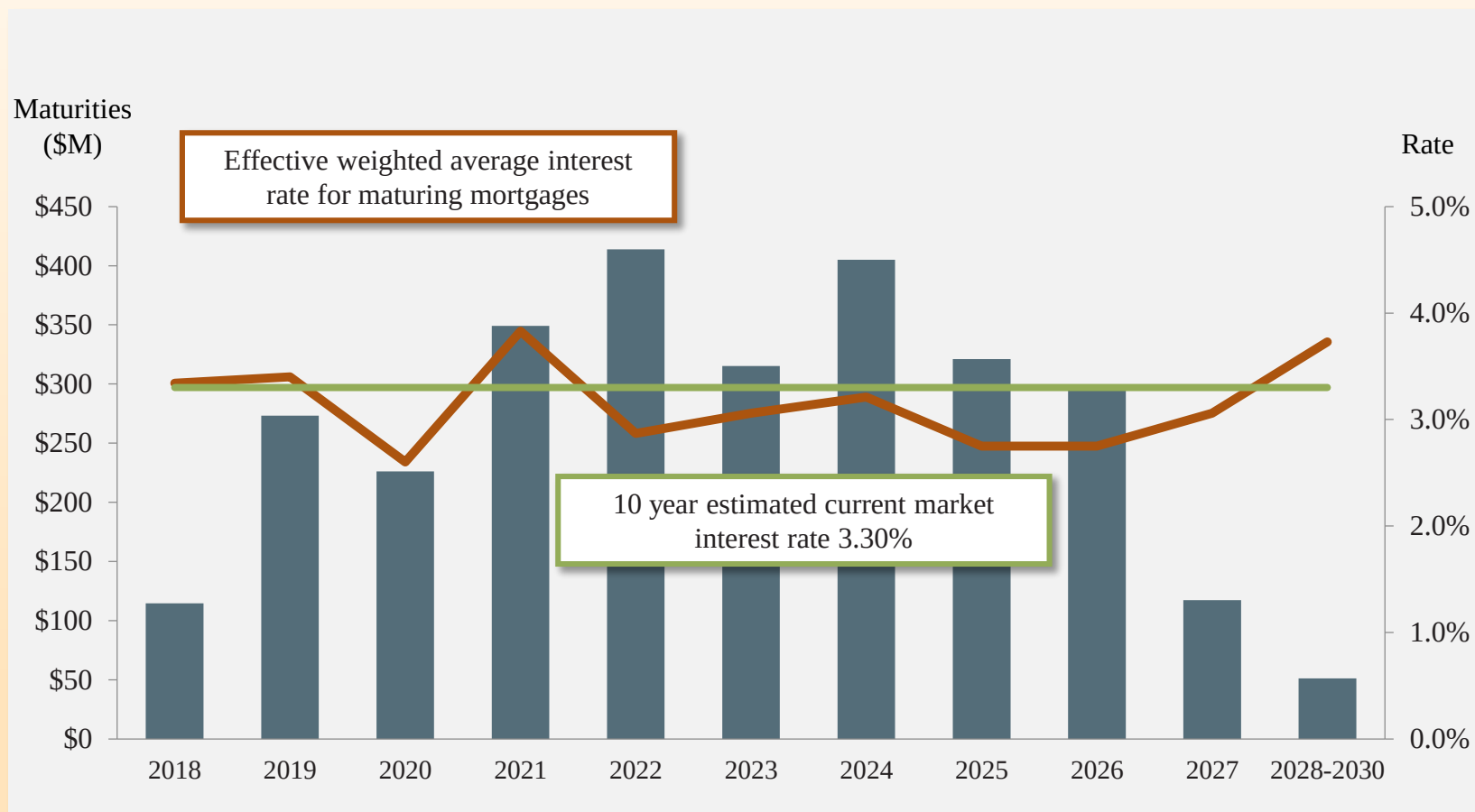
\$162 million available liquidity from Credit Facilities



# WELL-POSITIONED MORTGAGE PORTFOLIO



## TOTAL MORTGAGE MATURITIES AND INTEREST RATES



\$316 million in unencumbered properties

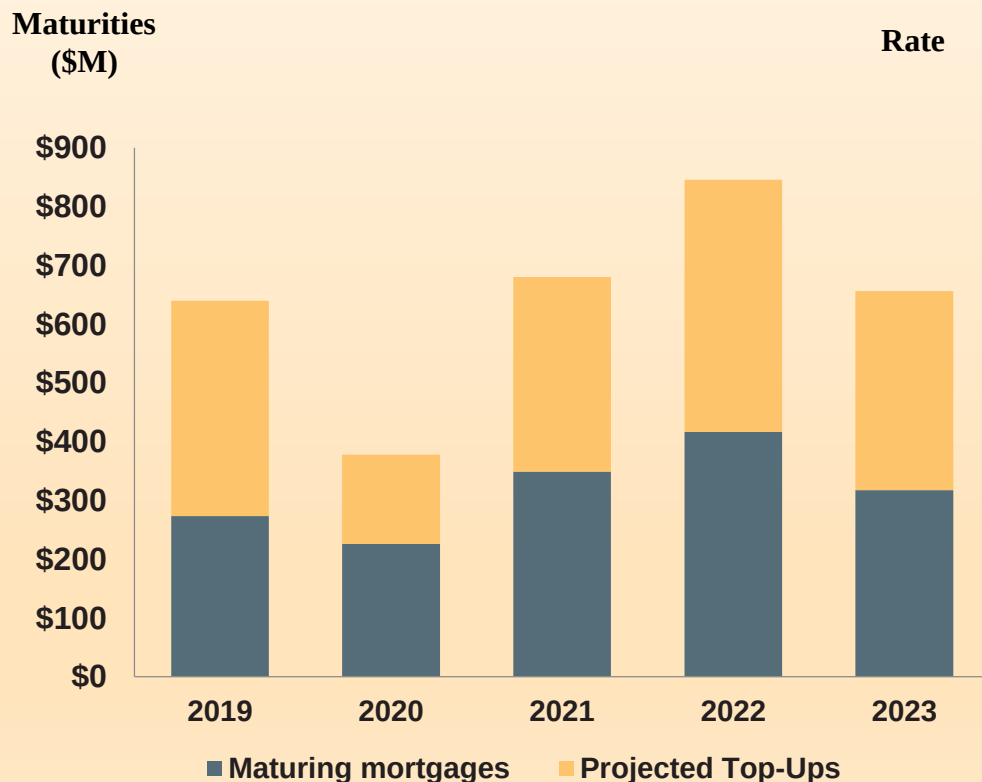


# SOLID 5 YEAR LIQUIDITY – MORTGAGE PORTFOLIO



## TOTAL MORTGAGE MATURITIES AND INTEREST RATES

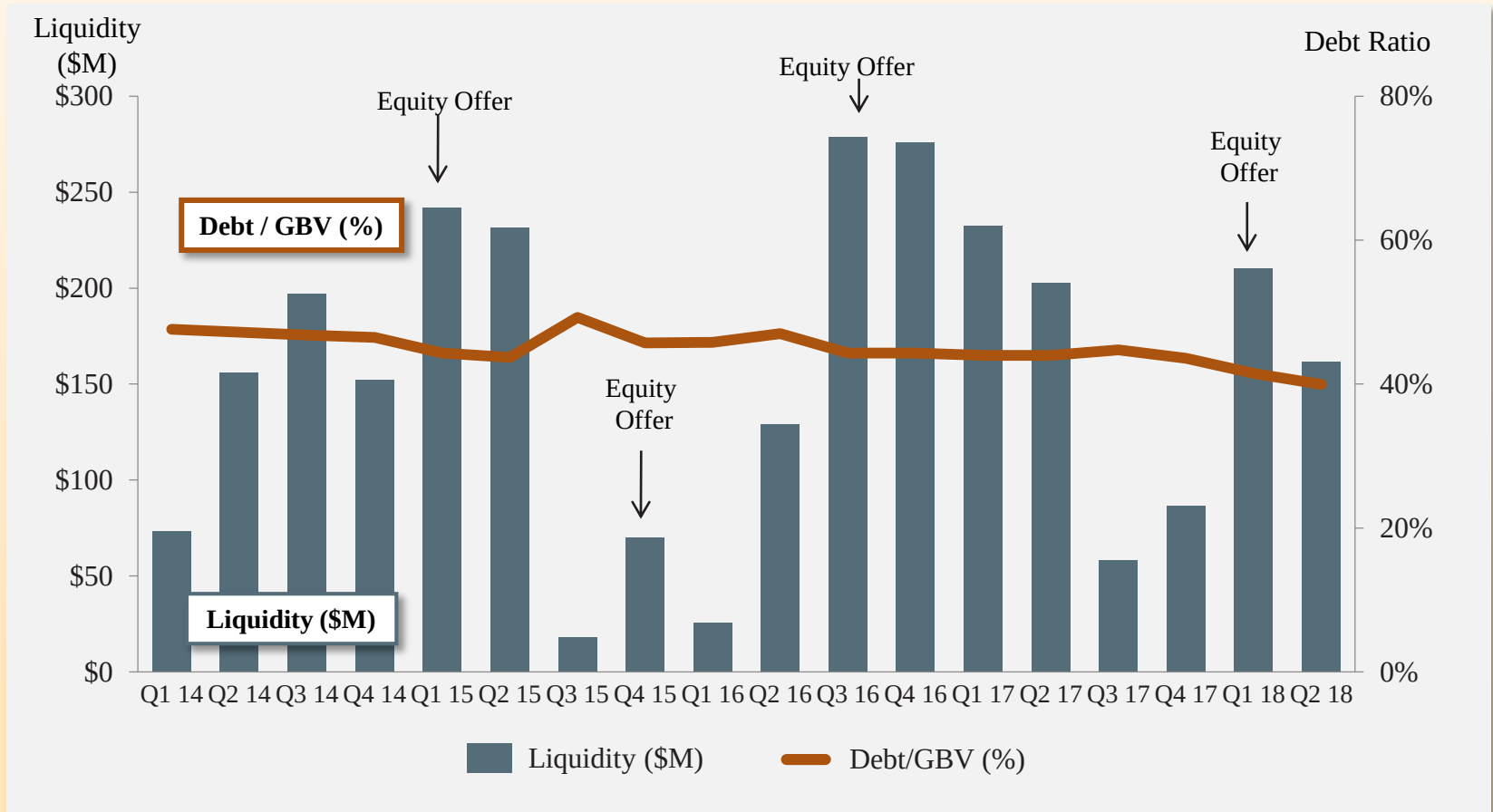
\$1.7 B OF LIQUIDITY IN THE NEXT FIVE YEARS



| Assumptions                      |                                       | 2019     | 2020-2023 |
|----------------------------------|---------------------------------------|----------|-----------|
| Cap Rates                        | IFRS 2017 year-end valuation cap rate | + 35 bps | + 50 bps  |
| Interest rates                   | 10Y GOC economists' forecast + spread | 3.55%    | 3.70%     |
| NOI                              | Growth rate per annum by property     | 2%       | 2%        |
| DSC                              |                                       | 1.25x    | 1.25x     |
| LTV                              |                                       | 75%      | 75%       |
| Access to CMHC-insured financing |                                       |          |           |



# SOLID LIQUIDITY POSITION



Effectively using liquidity to build value



DAVID EHRLICH  
PRESIDENT & CEO



# DEVELOPMENT UPDATE

## Realizing CAPREIT's Development Opportunity

- Over 80 potential redevelopment and intensification opportunities across Canada
  - Primarily in Ontario and British Columbia
- Represents well in excess of 10,000 net new apartments of which most are by way of infill on vacant land we own
- Additional opportunity for development growth can be achieved through redevelopment of existing buildings
- Exploring strategic options to accelerate development potential



# DEVELOPMENT APPLICATIONS

## 141 Davisville - Toronto, ON

Complete application in approval process

146 New Units Proposed

16 Storeys (proposed)

Modern (shared) new amenities for both buildings

Steps to Davisville subway



## 100 Wellesley - Toronto, ON

Complete application in approval process

Approximately 128 New Units

10 Storey building and 8 townhouses (proposed)

Modern (shared) new amenities for both buildings

Young professional target market - downtown core

# THE GO FORWARD STRATEGY



Strengthening  
the Operating  
Platform through  
Technology,  
Innovation and  
Talent  
Management

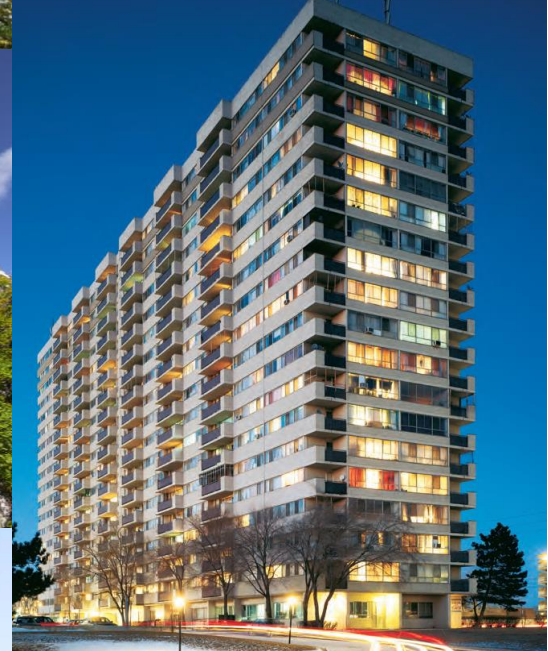


Driving  
Resident  
Satisfaction



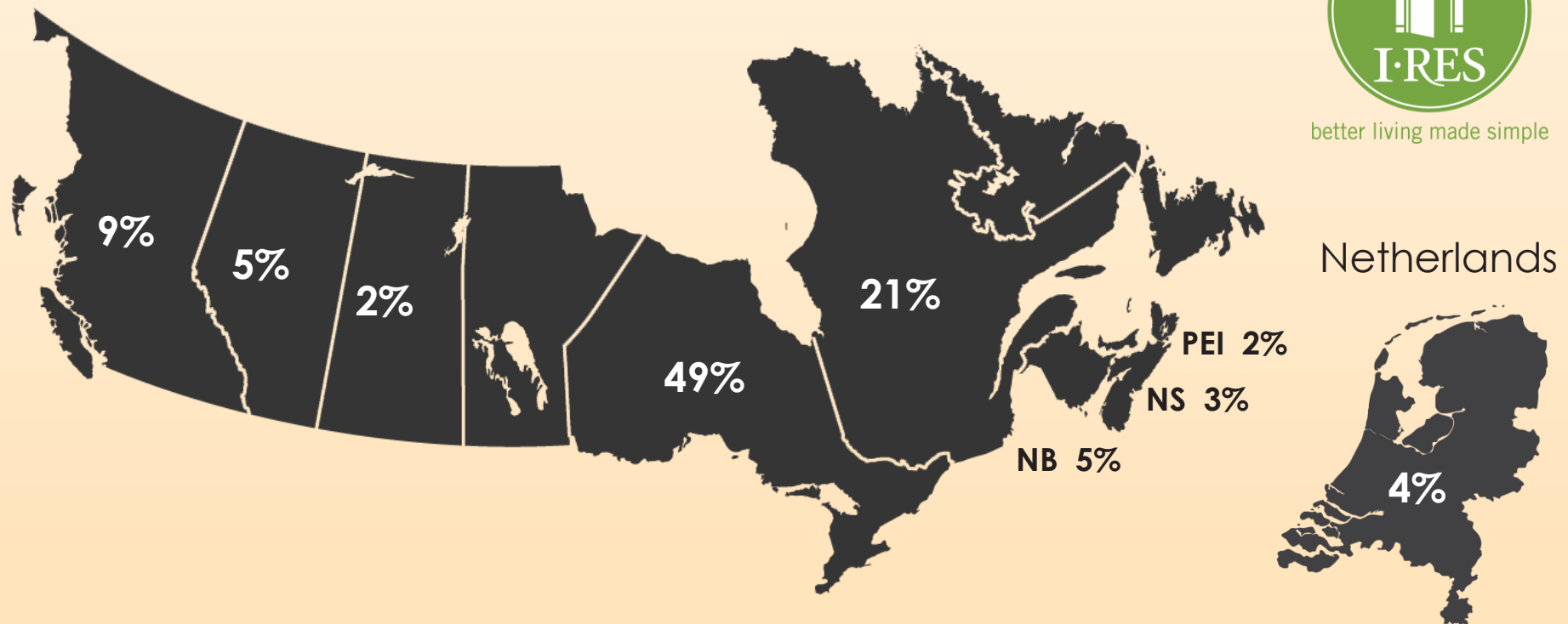
Realizing  
Development  
Opportunities  
And Growth  
Through Newer  
Properties

# PROPERTY PORTFOLIO



# ENHANCED GEOGRAPHIC DIVERSIFICATION

% OF TOTAL SUITES AND SITES



better living made simple

Netherlands

# REGIONAL OVERVIEW - ONTARIO

| Residential Suites as at June 30, | 2018    | 2017    |
|-----------------------------------|---------|---------|
| % Total NOI                       | 51.2%   | 53.6%   |
| NOI (\$000)                       | 109,210 | 101,993 |
| NOI Margin (%)                    | 63.5%   | 62.1%   |
| Occupancy (%)                     | 99.5%   | 99.4%   |
| Average Monthly Rents (\$)        | 1,289   | 1,230   |



# REGIONAL OVERVIEW - QUÉBEC

| Residential Suites as at June 30, | 2018   | 2017   |
|-----------------------------------|--------|--------|
| % Total NOI                       | 17.6%  | 18.4%  |
| NOI (\$000)                       | 37,441 | 35,046 |
| NOI Margin (%)                    | 56.5%  | 55.4%  |
| Occupancy (%)                     | 98.3%  | 97.6%  |
| Average Monthly Rents (\$)        | 932    | 903    |



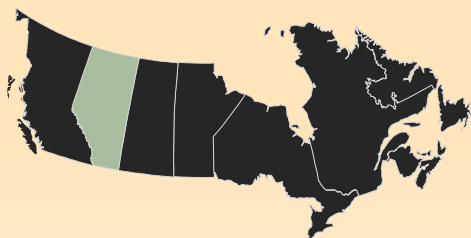
# REGIONAL OVERVIEW – BRITISH COLUMBIA

| Residential Suites as at June 30, | 2018   | 2017   |
|-----------------------------------|--------|--------|
| % Total NOI                       | 11.9%  | 11.9%  |
| NOI (\$000)                       | 25,447 | 22,555 |
| NOI Margin (%)                    | 71.2%  | 67.1%  |
| Occupancy (%)                     | 99.9%  | 99.9%  |
| Average Monthly Rents (\$)        | 1,243  | 1,161  |



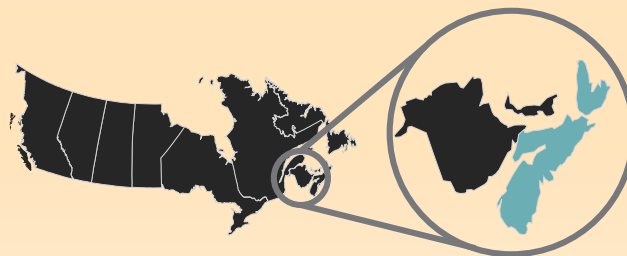
# REGIONAL OVERVIEW - ALBERTA

| Residential Suites as at June 30, | 2018   | 2017   |
|-----------------------------------|--------|--------|
| % Total NOI                       | 5.0%   | 5.3%   |
| NOI (\$000)                       | 10,579 | 10,115 |
| NOI Margin (%)                    | 60.3%  | 58.0%  |
| Occupancy (%)                     | 98.5%  | 98.4%  |
| Average Monthly Rents (\$)        | 1,064  | 1,067  |



# REGIONAL OVERVIEW – NOVA SCOTIA

| Residential Suites as at June 30, | 2018  | 2017  |
|-----------------------------------|-------|-------|
| % Total NOI                       | 3.2%  | 3.4%  |
| NOI (\$000)                       | 6,911 | 6,447 |
| NOI Margin (%)                    | 61.5% | 58.9% |
| Occupancy (%)                     | 97.6% | 91.4% |
| Average Monthly Rents (\$)        | 1,098 | 1,018 |



# REGIONAL OVERVIEW - SASKATCHEWAN

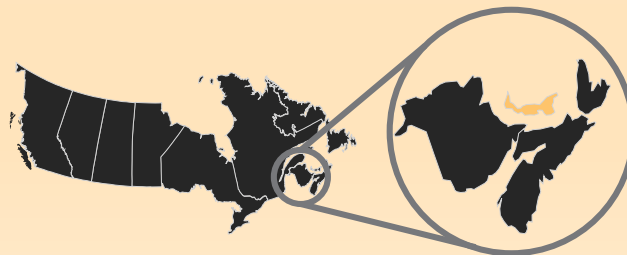
| Residential Suites as at June 30, | 2018  | 2017  |
|-----------------------------------|-------|-------|
| % Total NOI                       | 0.5%  | 0.6%  |
| NOI (\$000)                       | 1,149 | 1,152 |
| NOI Margin (%)                    | 56.0% | 55.3% |
| Occupancy (%)                     | 96.1% | 97.0% |
| Average Monthly Rents (\$)        | 1,019 | 1,021 |



# REGIONAL OVERVIEW – PRINCE EDWARD ISLAND



| Residential Suites as at June 30, | 2018  | 2017  |
|-----------------------------------|-------|-------|
| % Total NOI                       | 0.7%  | 0.7%  |
| NOI (\$000)                       | 1,596 | 1,285 |
| NOI Margin (%)                    | 48.3% | 45.9% |
| Occupancy (%)                     | 99.1% | 98.3% |
| Average Monthly Rents (\$)        | 1,024 | 987   |



# THE NETHERLANDS

| Residential Suites as at June 30, | 2018   | 2017  |
|-----------------------------------|--------|-------|
| % Total NOI                       | 5.1%   | 1.2%  |
| NOI (\$000)                       | 10,891 | 2,298 |
| NOI Margin (%)                    | 73.6%  | 73.4% |
| Occupancy (%)                     | 97.8%  | 95.6% |
| Average Monthly Rents (\$)        | 1,237  | 997   |



# MHC PORTFOLIO

| Residential Suites as at June 30, | 2018   | 2017  |
|-----------------------------------|--------|-------|
| % Total NOI                       | 4.7%   | 4.9%  |
| NOI (\$000)                       | 10,046 | 9,412 |
| NOI Margin (%)                    | 64.0%  | 61.9% |
| Occupancy (%)                     | 97.9%  | 98.4% |
| Average Monthly Rents (\$)        | 391    | 383   |

