

# InterRent REIT

Investor Presentation

June 2022





# Forward Looking Statements



This presentation contains “forward-looking statements” within the meaning of applicable Canadian securities legislation. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as “plans”, “anticipated”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”. InterRent is subject to significant risks and uncertainties which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward looking statements contained in this release. A full description of these risk factors can be found in InterRent’s publicly filed information which may be located at [www.sedar.com](http://www.sedar.com). InterRent cannot assure investors that actual results will be consistent with these forward-looking statements and InterRent assumes no obligation to update or revise the forward-looking statements contained in this presentation to reflect actual events or new circumstances.



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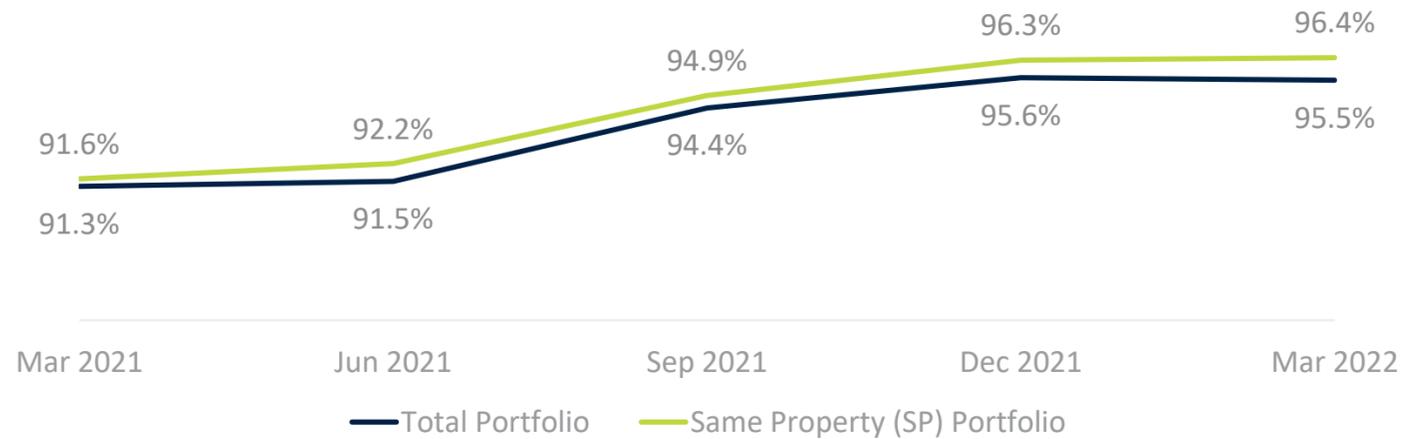
# Quarterly Results at a Glance



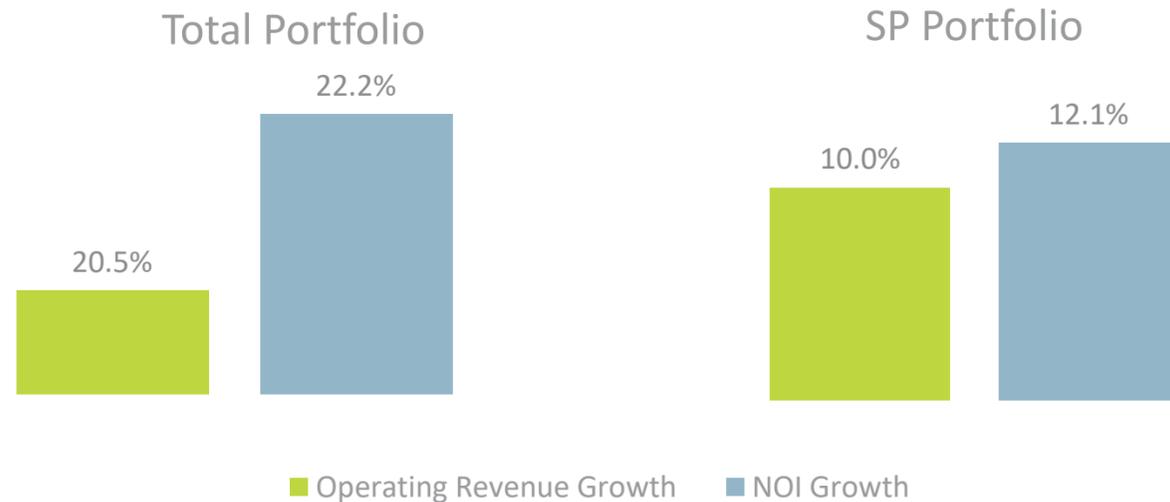


### OPERATIONAL HIGHLIGHTS

#### OCCUPANCY



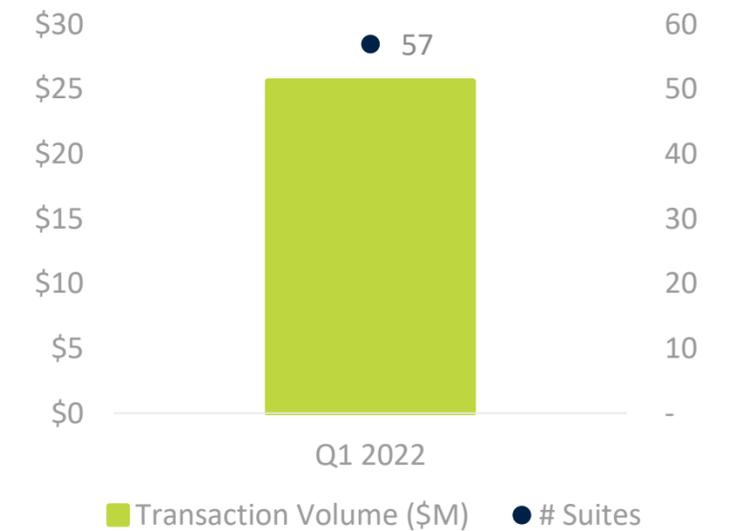
#### OPERATING REVENUE AND NOI GROWTH (YOY)



### PERFORMANCE MEASURES (NON-IFRS/GAAP)

	Q1 2022	YoY Chg.
FFO (\$000)	19,067	+17.8%
<b>FFO/Unit</b>	<b>\$0.133</b>	<b>+16.7%</b>
AFFO (\$000)	17,267	+18.9%
<b>AFFO/Unit</b>	<b>\$0.120</b>	<b>+17.6%</b>

### EXTERNAL GROWTH<sup>1</sup>



### FINANCIAL HEALTH

Debt/GBV	36.4%
Weighted Average Interest Cost	2.51%
CMHC Insured Mortgages	71%
Interest Coverage <sup>2</sup>	3.31x
Available Liquidity – Mar 31, 2022 <sup>3</sup>	~\$255M

<sup>1</sup> At 100%; InterRent has 50% ownership interest in 57 suites acquired in Q1 2022

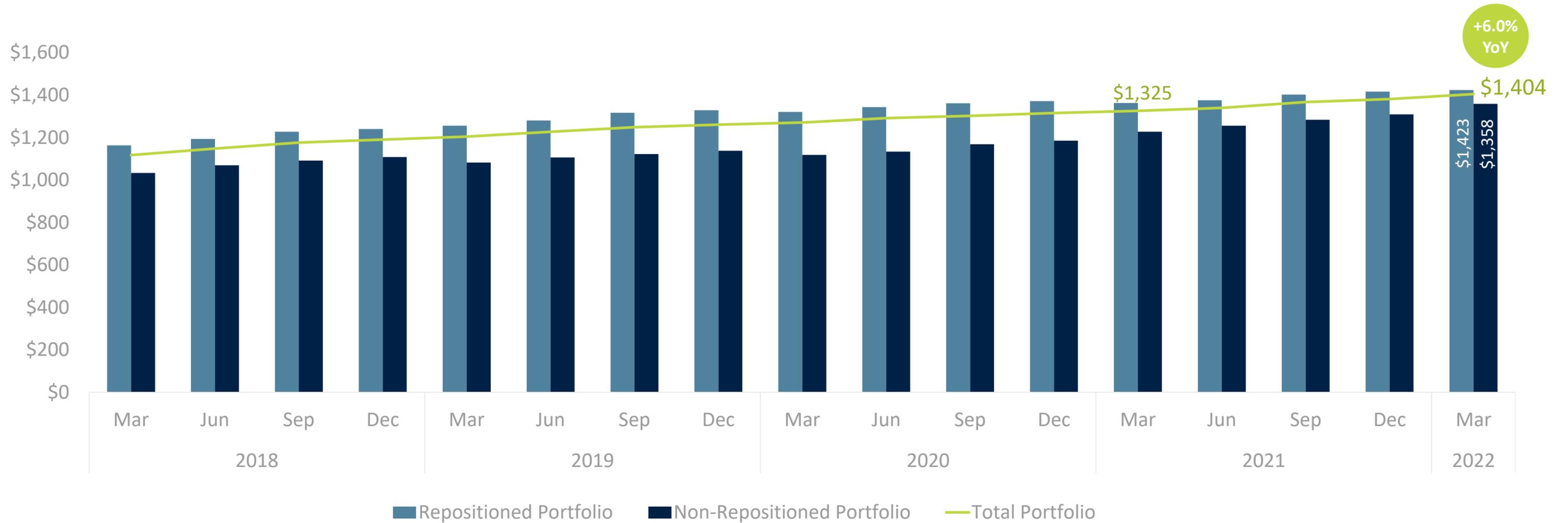
<sup>2</sup> Rolling 12 months

<sup>3</sup> Assuming 50% leverage applied to unencumbered properties



# Strengthening Fundamentals

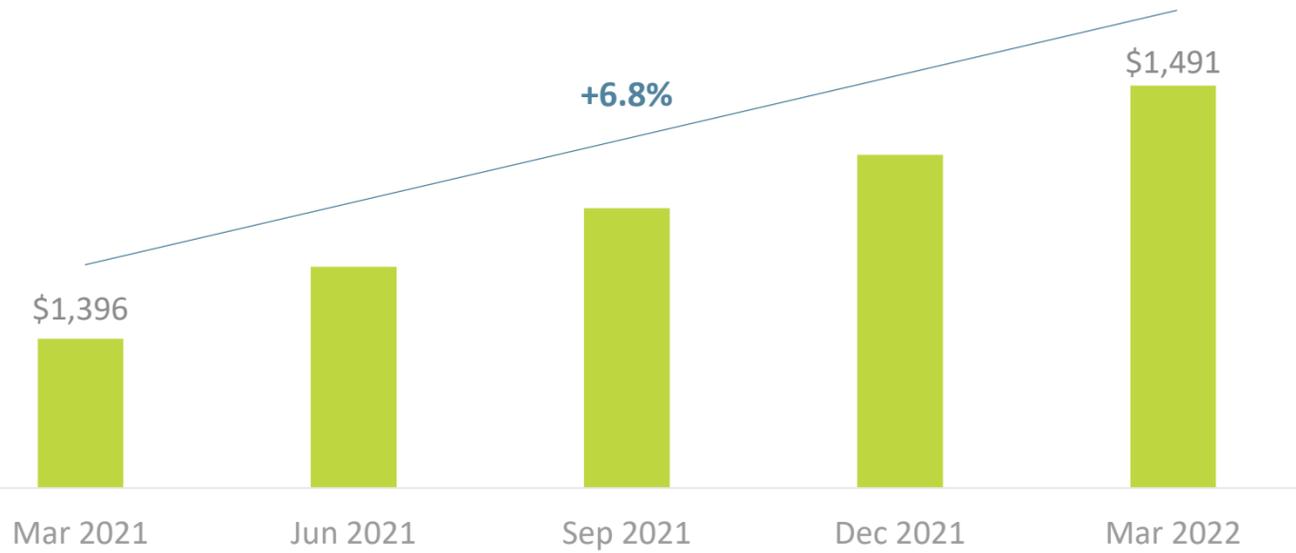
## AVERAGE MONTHLY RENT



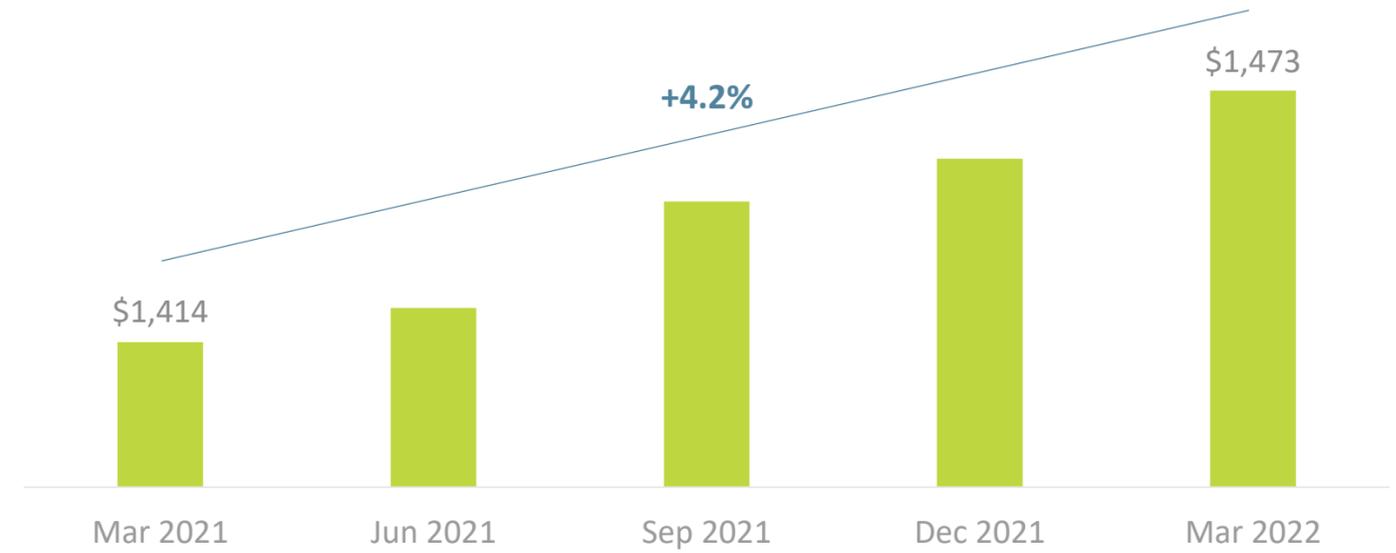


# Growing Average Monthly Rent Across All Regions

## GREATER TORONTO & HAMILTON AREA



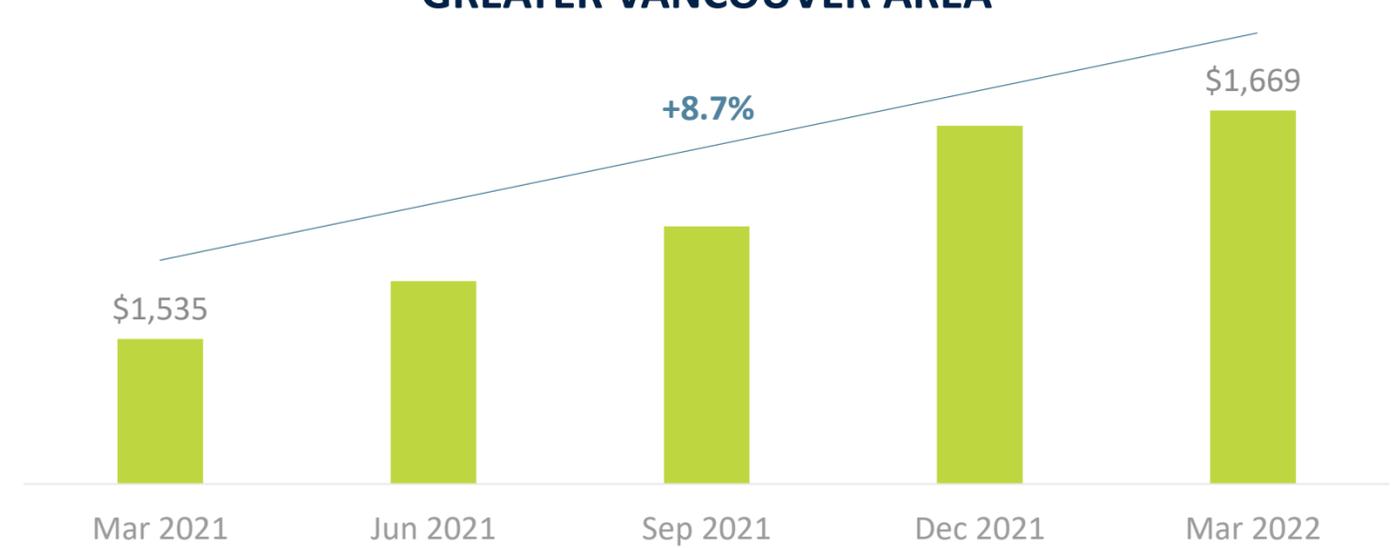
## NATIONAL CAPITAL REGION



## GREATER MONTREAL AREA



## GREATER VANCOUVER AREA

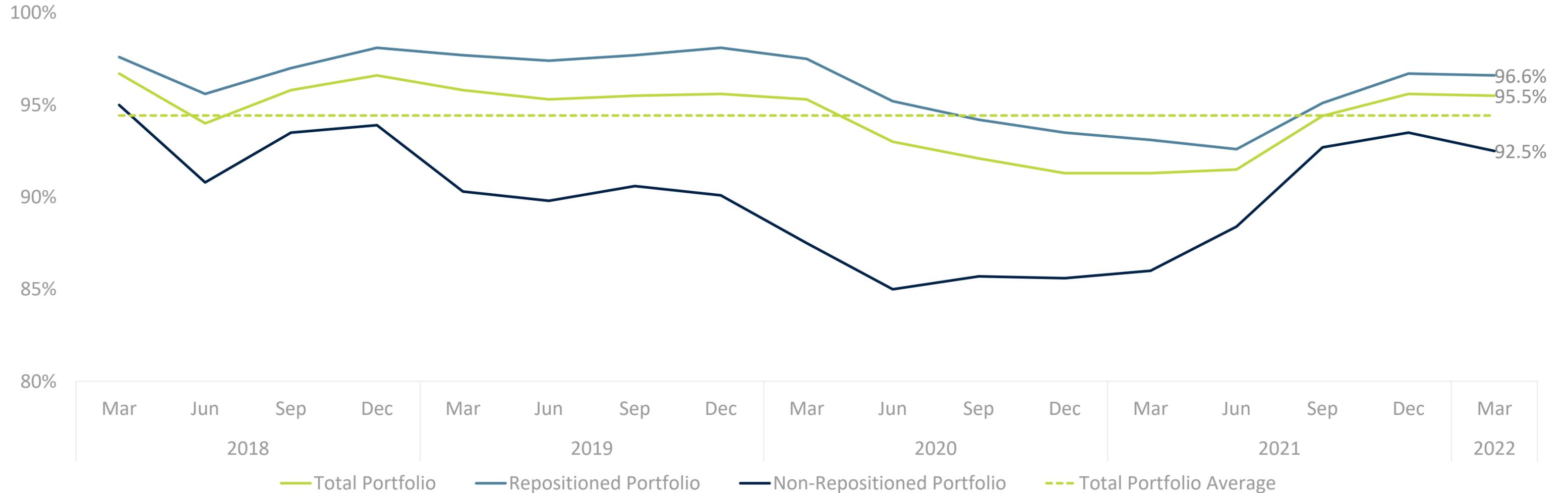


# Operating Highlights





# Q1 2022 Occupancy Bucked Seasonal Trend



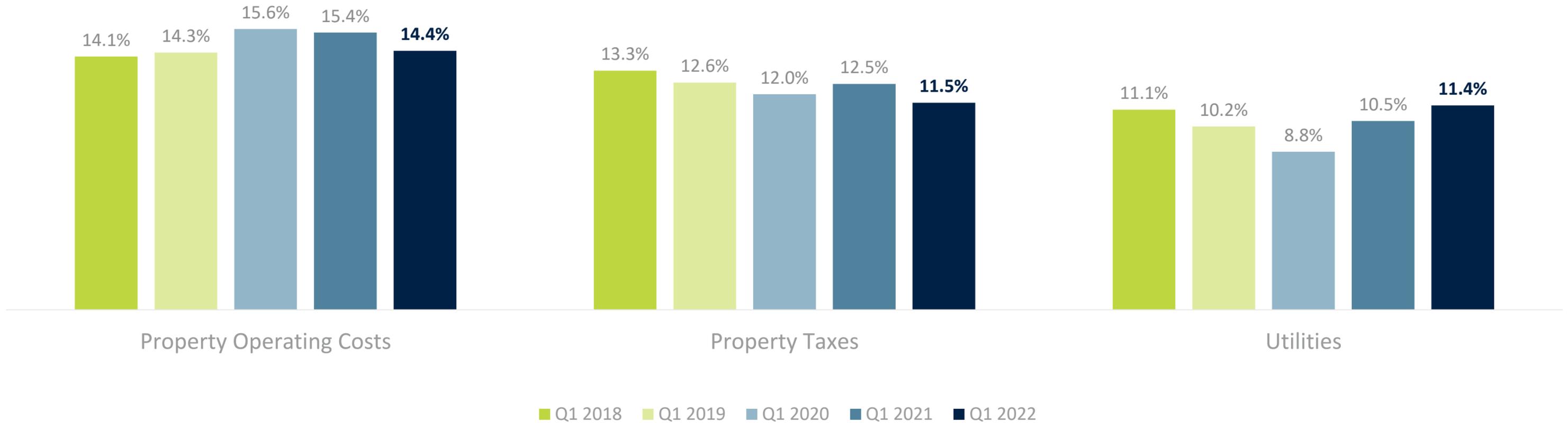
- Total portfolio occupancy held at 95.5% despite seasonality in Q1 historically leading to lower occupancy from Q4
- Occupancy for March 2022 represents an increase of 420 basis points over March 2021



# Operating In An Inflationary Environment

## SAME PROPERTY PORTFOLIO

*Operating Expenses as % of Operating Revenues*



# Capital Deployment

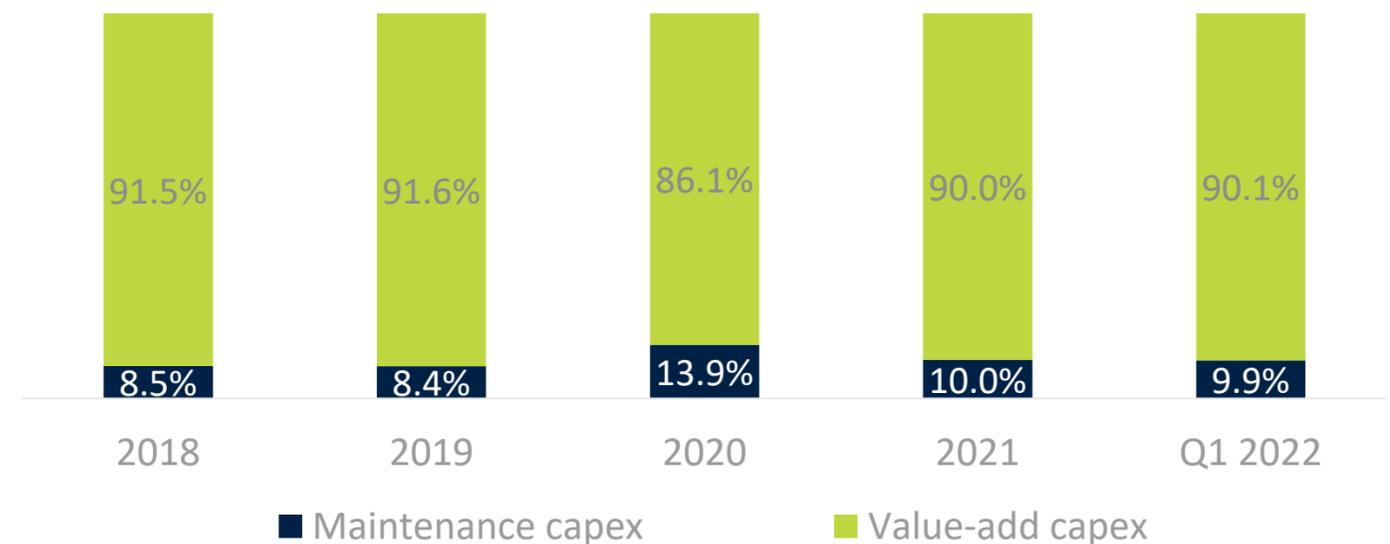


# Strategic CAPEX

## WELL-MAINTAINED PORTFOLIO

	Maintenance Capex	Per Repositioned Suite
2018	\$5.6M	\$966
2019	\$6.4M	\$975
2020	\$7.3M	\$946
2021	\$7.9M	\$950
Q1 2022	\$1.8M	\$805 <sup>1</sup>

## WITH FOCUS ON VALUE-ADD INVESTMENTS<sup>2</sup>



<sup>1</sup> Annualized

<sup>2</sup> Excluding capital expenditures related to properties under development

## REPOSITIONING PROGRAM

Acquired properties undergo repositioning work spanning 3-4 years to increase efficiency and enhance revenue.

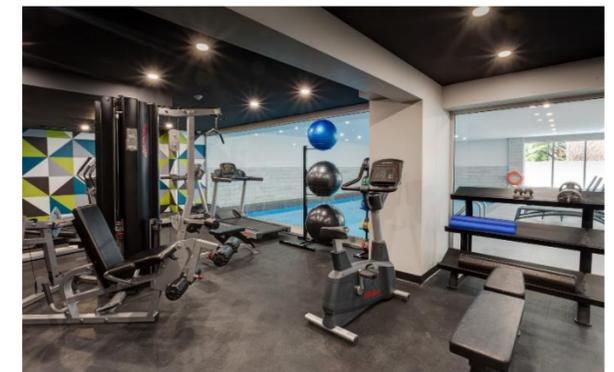
Repositioning investment can include:

- Common area upgrades
- Exterior upgrades
- Full or partial suite renovations (\$15-\$50K/suite)

As of Mar 31, 2022, the REIT has 3,496 suites at various stages in its repositioning program and invested \$8.6M in the first quarter of the fiscal year.



Pavillon Milton, Montréal





## Q1 2022 Acquisitions Reinforce Existing Clusters



- Continue to expect high single-digit IRRs for acquisitions in strategic locations
- In addition to value-add, may look to opportunistically add core and core+ communities, as well as new builds
- Public market valuation disconnected from private market strength

<sup>1</sup> At 100%; InterRent's ownership interest is 50%.

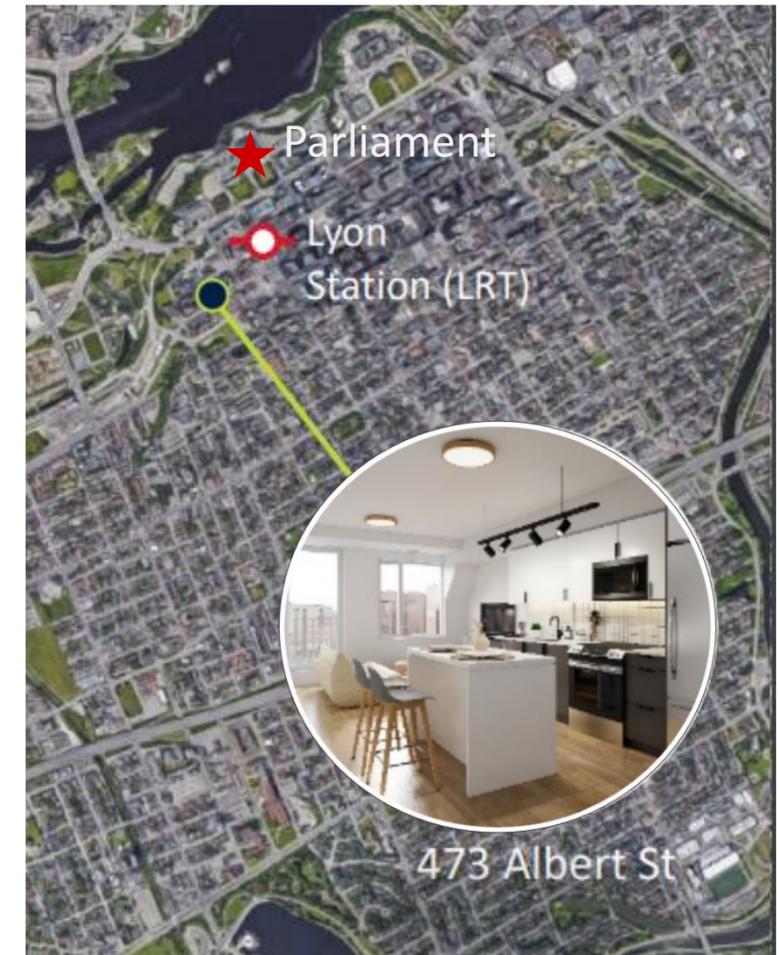


## 473 Albert Street, Ottawa (NCR)

- Adaptive reuse of obsolete office stock
- Core downtown location, steps from two LRT nodes, Parliament and business core
- Hard costs 95% contracted
- Pre-leasing activities to begin in Q2 2022 to prepare for partial occupancy commencing late Q3 2022



# Suites	158
Total project cost	\$75M
Estimated cost to complete	\$35M
Expected completion	Q4 2022
Expected yield	4.4%
Expected IRR <sup>1</sup>	>15%



<sup>1</sup> Levered



# Development Pipeline

Project	City	Suite Count	Commercial Sq. Ft.	Ownership	Target Completion Date	Expected Yield
<b>Richmond &amp; Churchill</b>	Ottawa	180	18,650	100%	Late 2025	4.40-4.90%
<b>Burlington GO Lands</b>	Burlington	1,566 (Phases 1-2) 949 (Phases 3-4)	20,081 (Phases 1-2) 19,779 (Phases 3-4)	25%	Mid-2028 (Phases 1-2)	4.90-5.40% (Phases 1-2)
<b>900 Albert Street</b>	Ottawa	1,241	511,608	47.5%	TBD	4.75-5.25%



900 Albert Street



Richmond & Churchill



Burlington GO Lands

# Balance Sheet





## IFRS Valuation

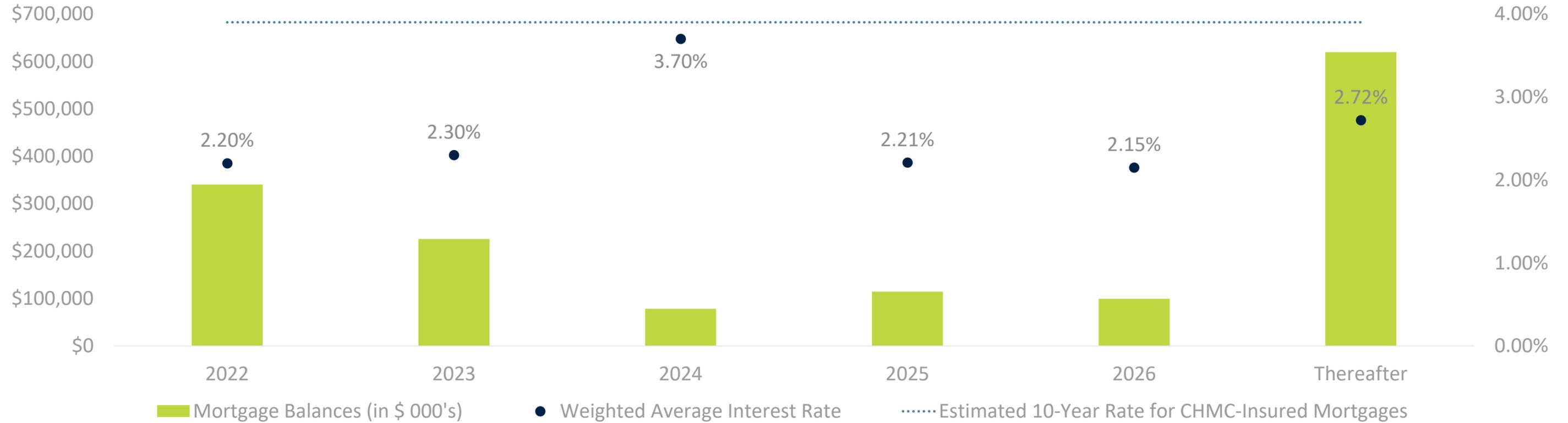
Region	Q1 22 Cap Rate	Q4 21 Cap Rate	Q-o-Q Change
Greater Toronto & Hamilton Area	3.66%	3.72%	-6bps
National Capital Region	4.21%	4.21%	Flat
Greater Montreal Area	3.56%	3.54%	+2bps
Greater Vancouver Area	3.04%	2.96%	+8bps
Other Ontario	4.34%	4.37%	-3bps
<b>Total Investment Properties</b>	<b>3.82%</b>	<b>3.86%</b>	<b>-4bps</b>

- \$65.8 million fair value gain in Q1 2022, largely attributed to improvements in NOI
- The compression in the overall capitalization rate was driven primarily by the addition of properties acquired in Q4 into the model



# Financing Structure

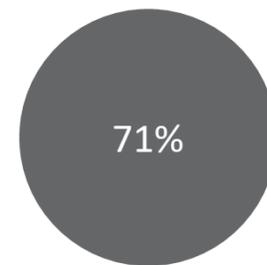
## MORTGAGE MATURITY SCHEDULE



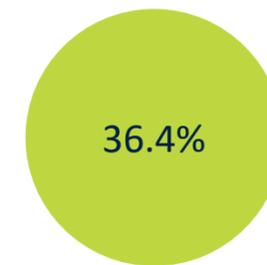
**AVERAGE TERM TO MATURITY**



**WEIGHTED AVERAGE INTEREST COST**



**CMHC INSURED MORTGAGES**



**DEBT/GBV**



**INTEREST COVERAGE<sup>1</sup>**

<sup>1</sup> Rolling 12 months

# Sustainability





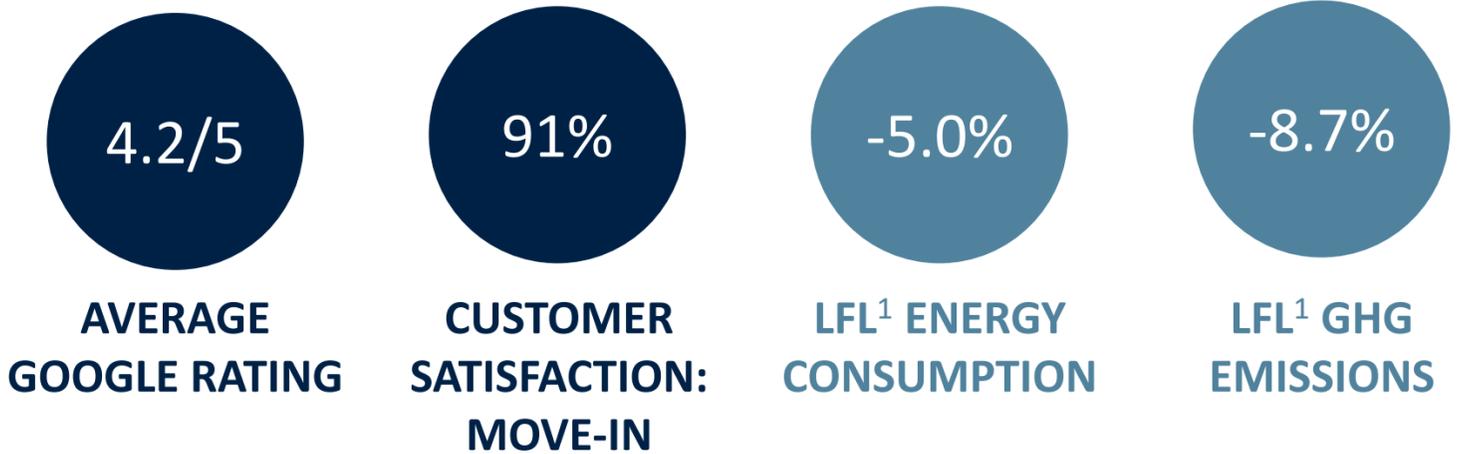
# Moving Forward On Our Commitments

## CLIMATE

1. Conduct a baseline climate change risk assessment to identify our company and portfolio physical and transition risks and opportunities.
2. Establish science-based GHG emissions reduction target(s).
3. Voluntarily disclose climate-related initiatives and performance through the CDP's climate questionnaire.
4. Increase our Board of Trustee's knowledge on climate-related risks and opportunities through training.
5. Conduct climate scenario analysis to understand potential impacts on our business strategy.
6. Develop a systematic approach to incorporate climate change considerations into our acquisition due diligence process, capex program, and capital recycling decisions.

## DEI

1. Enhance the diversity of our workforce.
2. Equip our team with the knowledge, skills, and comfort to ensure that our DEI work is self-sustaining into the future.
3. Explore racial and gender pay equity analyses.
4. Ensure policies and practices are inclusive.



<sup>1</sup> Like-for-like

# Key Takeaways



## Key Takeaways

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- Strong financial performance in Q1 2022 and strengthening fundamentals
- Actively managing controllable costs and mortgage ladder in inflationary environment
- Moving forward on our sustainability commitments to stakeholders



# Appendix





# Canada's Housing Landscape

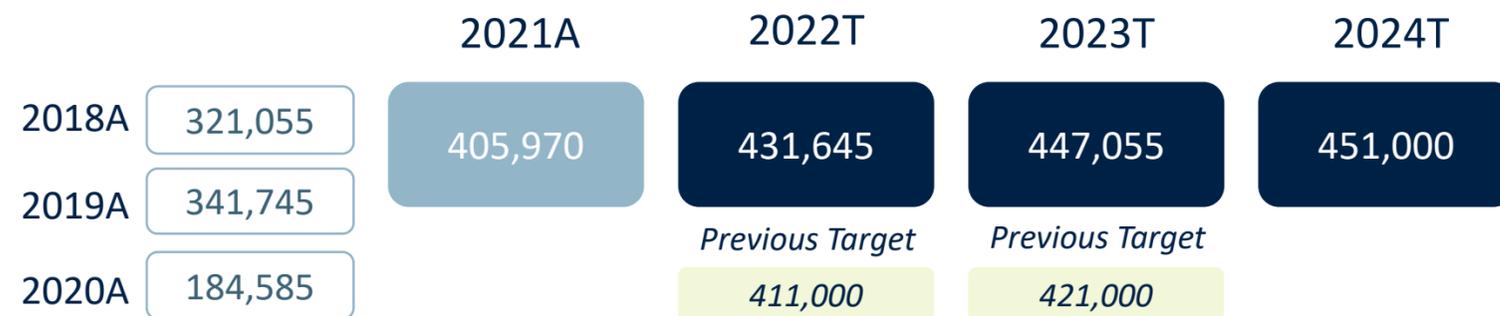
## DEMAND – FUELLED BY IMMIGRATION

Canada's high living standards and economic opportunities continue to attract new permanent residents, temporary foreign workers, and international students to the country.

As of 2020, Canada ranked **8 on the list of countries with the highest number of foreign-born residents**, with approximately 8 million, or 21% of the total population.

After a record year of immigration in 2021, the Canadian federal government increased their already ambitious targets for the coming three years.

### HISTORICAL IMMIGRATION & TARGETS



Historically, around **70% of new permanent residents come from out of the country**, however, this share fell to 31% in 2021.

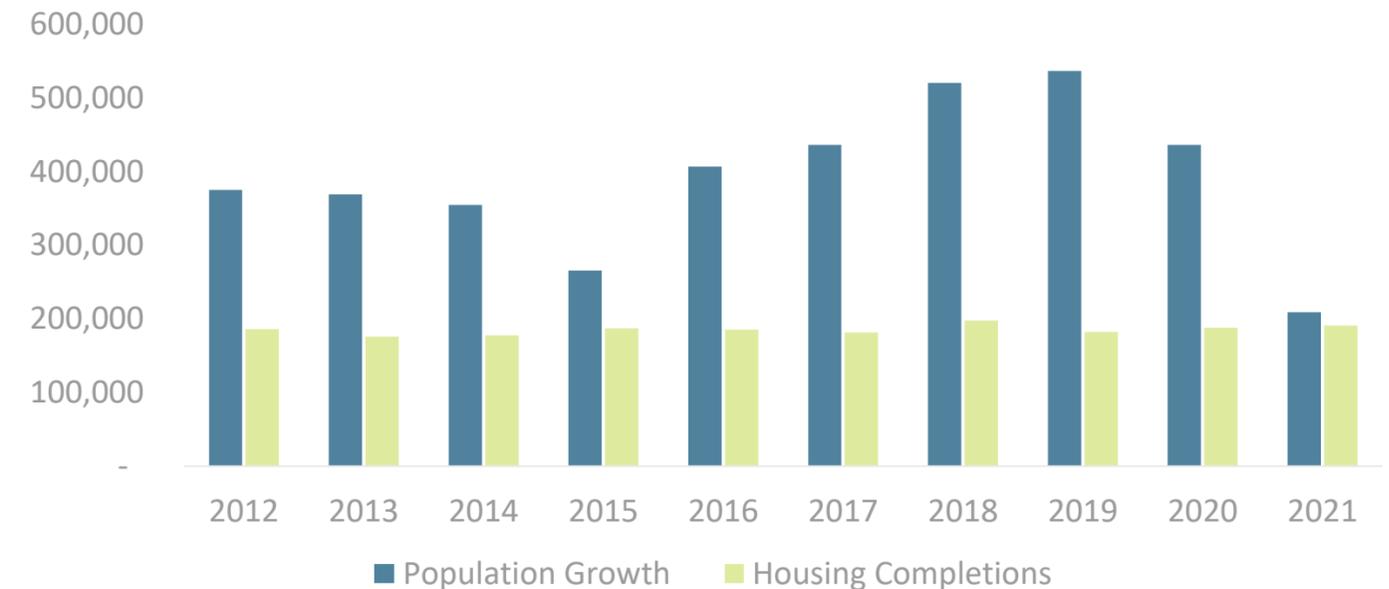
## SUPPLY – CHRONIC SHORTAGE

Despite these positive signals for the Canadian economy, the lack of housing supply is causing rising affordability challenges.

Out of all G7 countries, Canada has the **lowest number of housing units per capita**.

### CANADIAN POPULATION GROWTH AND HOUSING COMPLETIONS

TWELVE MONTHS ENDED JUNE 30





# Overview of Rent Regulation in InterRent Markets

Rent control laws are **provincially regulated** in Canada

	Ontario	British Columbia	Quebec
Existing Tenants	Rent can be increased once in a twelve-month period, usually occurring on the lease renewal date		
New Tenants	No regulation on rent increases upon turnover of a unit (vacancy decontrol)		Lessor may be required to adjust the rental level to one based on prior rent plus a percentage of turnover costs (vacancy control)
Regulations on New Builds	Properties <sup>1</sup> built after November 15, 2018, are exempt from rent control	No exemptions	Exempt from rent control for the first five years after construction

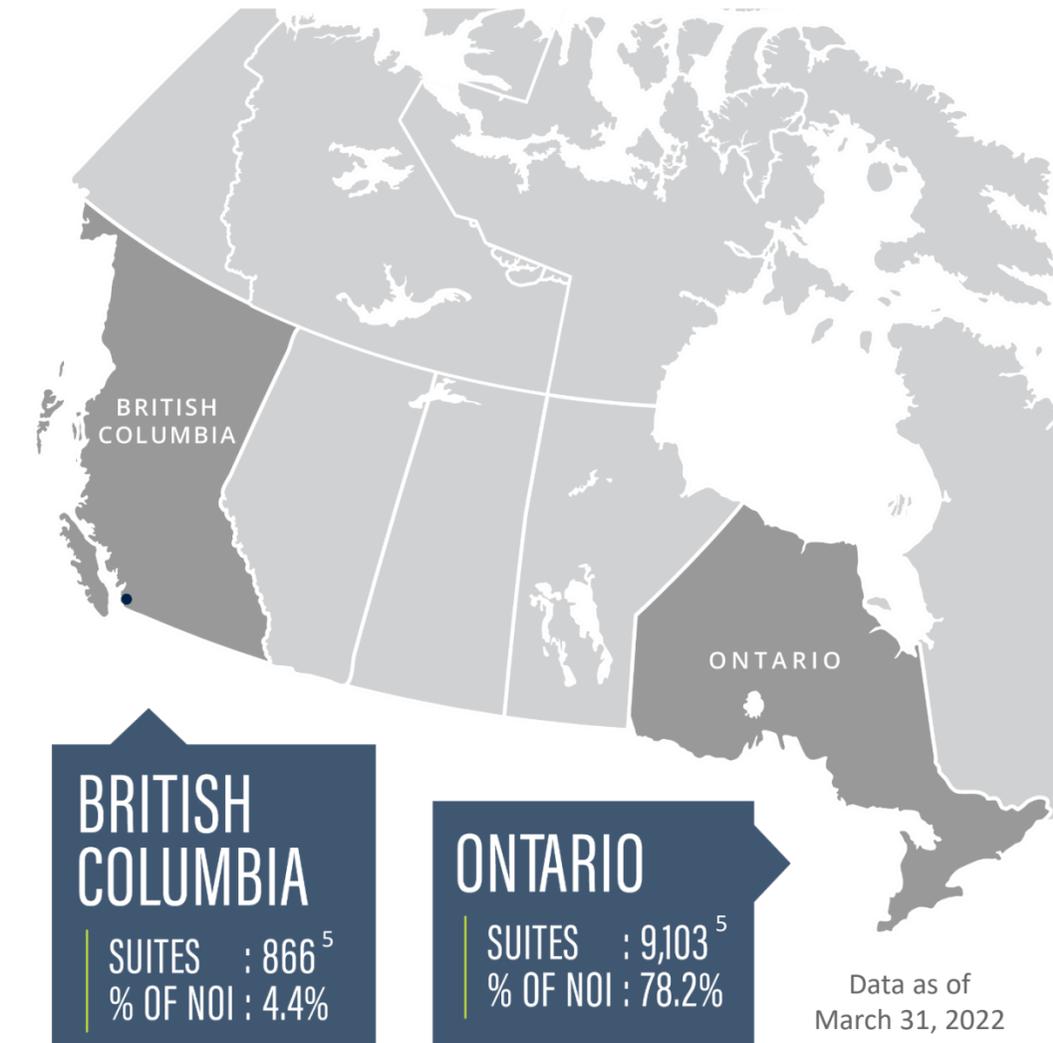
<sup>1</sup> Includes new builds, additions to existing buildings and most new basement apartments that are occupied for the first time for residential purposes after November 15, 2018.



# Rent-Controlled Markets

**Ontario** and **British Columbia** are rent-controlled markets, meaning that rental housing providers can only increase rent by a limited amount each year for existing tenants.

	Ontario	British Columbia
Rent Increase Calculation	12-month average percent change in the provincial all-items Consumer Price Index <sup>1</sup>	
Calculation Period	June to May of previous year	August to July of previous year
Maximum Increase	2.5% <sup>2</sup>	-
Additional Increases <sup>3</sup>	Landlords can apply for additional increases beyond the guideline to account for: <ul style="list-style-type: none"> <li>• Eligible capital expenditures; or if</li> <li>• Landlord has incurred financial loss from significant operating expenses or financing costs.</li> </ul>	
2022 Guideline Increase <sup>4</sup>	1.2%	1.5%



<sup>1</sup> Statistics Canada tool that measures inflation and economic conditions over a year.

<sup>2</sup> Maximum increase of 2.5% began in 2013.

<sup>3</sup> Additional increase in Ontario and British Columbia are capped at 3% per year with amounts exceeding to be rolled over in the second and third years.

<sup>4</sup> Rent freeze in 2021 due to the COVID-19 pandemic, so exceptionally the 2022 guideline increase was applied on January 1, 2022, for all leases that were in effect on or before December 31, 2020.

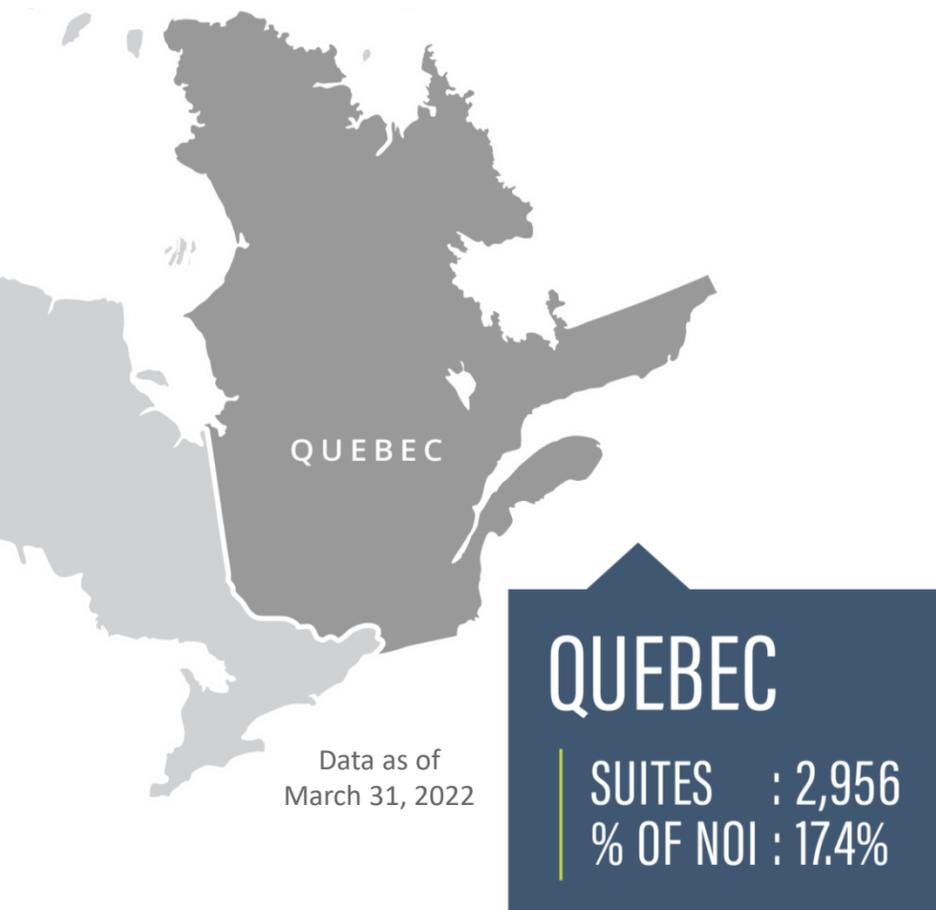
<sup>5</sup> At 100%; InterRent's ownership interest is 50% in all 866 suites in the Vancouver portfolio and a 94-suite community in Mississauga.



## Non-Rent-Controlled Markets

While **Quebec** is not technically a rent-controlled market, there are guidelines that must be followed to raise rent for existing tenants.

At the time of renewal of the lease, the rental house provider is free to ask a rent increase that they deem reasonable, to which the lessee has the right to accept or refuse. Refused increases then proceed to a hearing where the rent increase is calculated using the landlord's previous year's expenses.



### Rent Increase Calculation

The Quebec government provides a tool that landlords can fill out to calculate a justifiable rent increase, taking the following items into account:

- Changes in operating expenses
- Major repairs related to the building and/or specific to the unit



## CONTACT US

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