FINAL TRANSCRIPT

# Minto Apartment Real Estate Investment Trust

## First Quarter 2019 Results Conference Call

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## CORPORATE PARTICIPANTS

**Michael Waters**
*Minto Apartment Real Estate Investment Trust — Chief Executive Officer*

**Julie Morin**
*Minto Apartment Real Estate Investment Trust — Chief Financial Officer*

## CONFERENCE CALL PARTICIPANTS

**Jonathan Kelcher**
*TD Securities — Analyst*

**Brendon Abrams**
*Canaccord Genuity — Analyst*

**Troy McLean**
*BMO Capital Markets — Analyst*

**Brad Sturges**
*Industrial Alliance Securities — Analyst*

**Mike Markidis**
*Desjardins Capital Markets — Analyst*

**Matt Logan**
*RBC Capital Markets — Analyst*

**Matt Kornack**
*National Bank Financial — Analyst*

**Johann Rodrigues**
*Raymond James — Analyst*

**Dean Wilkinson**
*CIBC World Markets — Analyst*

## PRESENTATION

**Operator**

Good morning. My name is Jessica, and, I will be your conference Operator for today. At this time, I would like to welcome everyone to the Minto Apartment REIT First Quarter 2019 Results Conference Call. All lines have been placed on mute to prevent any background noise.

After the speakers' remarks there will be a question-and-answer session. If you would like to ask a question during this time, simply press **, then the number 1 on your telephone keypad. If you would like to withdraw your question, please press** followed by 2.

Before we begin, I want to remind listeners that certain statements about future events made on this conference call are forward-looking in nature. Any such information is subject to risks, uncertainties, and assumptions that could cause actual results to differ materially. Please refer to the cautionary statements on forward-looking information in the REIT's new release, and MD&A dated May 17, 2019, for more information.

During the call, management will also reference certain non-IFRS financial measures. Although the REIT believe these measures provided useful supplemental information about its financial performance, they're not recognized measures and do not have standardized meanings under IFRS. Please see the REIT's MD&A for additional information regarding non-IFRS financial measures, including reconciliations to the nearest IFRS measures. Thank you.

Mr. Waters, you may begin your conference.

**Michael Waters** — Chief Executive Officer, Minto Apartment Real Estate Investment Trust

Thanks you, Jessica, and good morning, everyone. I'm pleased you're able to join us this morning. I'm Michael Waters, Chief Executive Officer of the REIT, and also on the call with me is Julie Morin, our Chief Financial Officer.

I'll begin the call with an overview of our first quarter highlights and recent developments, Julie will then review our financial and operating results in greater detail, and I'll concluded with some brief comments on our business outlook. Then we'll be pleased to answer your questions.

As you saw from our earnings release yesterday, this was another very strong quarter for Minto Apartment REIT. We exceeded our IPO forecast on all of our key operating metrics as we have in every quarter since the formation of the REIT last year. Our strategy's working and we're going to stick with it. It starts with organic growth, and once again we were able to capitalize on embedded gain-to-lease opportunities in our portfolio in Q1. We signed 247 new leases, which was in line with the 250 we signed in Q4. We increased the monthly rent on those suites by an average of 8.4 percent, creating an annualized revenue gain of more than $355,000. So we continue to build substantial value for unitholders by turning over suites. And while there's been plenty of turnover, we've done good job of keeping our suites filled. Our occupancy level was 98.7 percent at quarter-end. Again, ahead of our forecast.

We also continued with our assist repositioning program in Q1, completing renovations on 21 suites. These investments generate strong rental growth, and we still have 191 suites to reposition at our Minto Yorkville property, and in our Edmonton portfolio. We've only just begun this program at our Carlisle and Castle Hill properties in Ottawa, which has an additional 367 suites in total. Subsequent to the end of the quarter, we signed 19 new leases of repositioned suites in these latter properties. So there's lots of future value to be created from this program.

Meanwhile we've been very active on the acquisitions front as well, as you know. During Q1 we completed the integration of Kaleidoscope and the quarter's two acquisitions in Calgary. They brought a combined total of 269 suites into our portfolio. We're very pleased with the performance of both properties and their positive contribution to our Q1 results.

Subsequent to the end of the quarter, on April 4th, we announced our biggest transaction to date. We acquired 50 percent interest in two multi-residential properties, one in Toronto, and one in Montreal, comprising a combined total of 1413 suites. The combined purchase price was $209 million, which was funded in part through a $173 million public offering of units. Investor demand for the offering was very strong, and we were pleased to see the full over-allotment option was exercised.

I'd like to know take a closer look at each of these acquisitions with you.

On Slide 4, we talk about Rockhill, which marks our first investment in Montreal, a market where we see tremendous growth opportunities. It was acquired from Ivanhoé Cambridge at a price of $268 million, or $134 million for the REIT's 50 percent share. The price represents a 4 percent cap rate on forecast year one NOI, and a 2.3 percent discount to appraised value. It was acquired in a 50–50 co-tenancy with IG Investment Management as trustee for Investors Real Property Fund. We arranged a term loan of $135 million to fund the acquisition, leaving a net cash requirement to the REIT of $66.5 million.

Line 5 shows Rockhill's superior location beside Mount Royal Park, and in close proximity to downtown Montreal and many local amenities. The property has a walk score of 88, and a diverse tenant base, including students, health care professionals, families, and retired couples. The property is made up of six buildings, constructed in 1967 and '68, located on approximately 7.6 acres. It comprises a total of 1004 suites, with an average monthly rent of $1352. Ivanhoé Cambridge bought Rockhill in 2011, and added a lot of value, making significant investments in balconies, parking, common areas, and landscaping.

This reduced future maintenance CapEx requirements, and allows us to focus on in-suite repositioning and amenity improvements to drive rent growth.

Mobbing on to the Leslie/York Mills property in Toronto on Slide 6, we purchased Minto Property's 50 percent co-tenancy interest for approximately $75 million. This represents a 3.75 percent cap rate on forecast year one NOI and a 5 percent discount to appraised value. We assumed a $23.5 million term loan so our net cash requirement was $51.5 million. Our co-owner, Healthcare of Ontario Pension Plan, is retaining its 50 percent stake.

The outlying L/YM property's located on York Mills Road and Leslie Street. It's a busy residential and commercial corridor in close proximity to schools, highways, grocery stores, shopping, public transit, and parks, and it's just 20 minutes by car to downtown Toronto. The property comprises three 18-storey towers, constructed in '68 and '69, and is located on approximately 7.8 acres. The buildings have a total of 409 suites with an average rent of $1707.

A major appeal of this property is that it offers both repositioning and intensification opportunities as outlined on Slide 8. Repositioned test suites were implemented last year and were well received by tenants, so we think it's a great candidate for a full repositioning.

With regards to intensification, the site was recently rezoned to permit the development of 192 new rental terrace homes on the site. Conceptual plans for construction have been developed, and the site plan and other related approvals are currently in place. Or in process, sorry. Once the required municipal approvals are in place and costing is complete, we'll seek agreement with our partner for the intensification plan.

I'd now like to invite Julie to review our first quarter financial and operating results in more detail. Julie?

**Julie Morin** — Chief Financial Officer, Minto Apartment Real Estate Investment Trust

Thanks, Michael. Turning to Slide 9, we reported revenue of $22.1 million in the first quarter, which exceeded our IPO forecast by approximately $1.7 million, or 8.5 percent. The outperformance was driven by higher-than-expected occupancy and rental rates, as well as the contributions from the two property acquisitions in Calgary.

Same property revenue, which excludes the impact of the acquisitions, was $20.9 million, exceeding the forecast by 2.7 percent. NOI in Q1 was $13.3 million, which was 14.3 percent above our forecast of $11.6 million. This result was attributable to stronger-than-forecast rental revenue, including from the two property acquisitions. As a percentage of revenue, NOI was 60.1 percent, 300 basis points above our forecast of 57.1 percent. Same property NOI was $12.4 million, which was 6.4 percent above the forecast. Same property NOI margin was 59.2 percent, exceeding the forecast by 210 basis points.

FFO was $7.3 million in Q1 2019, which was 13.1 percent above our forecast of $6.5 million. This reflects the positive NOI variance. AFFO was $6.1 , or $0.166 per unit, compared to the forecast of $5.3 million, or $0.143 per unit. The positive variance reflects the higher-than-forecast FFO, adjusted for the amortization of mark-to-market on the debt. And we declared cash distributions of $0.1025 per unit, resulting in an AFFO payout ratio of 61.7 percent compared to the forecast of 71.5 percent.

We had a total of 4,552 suites as at March 31, 2019, an increase of 273 since our IPO last July. Average monthly rent per suite was $1,417 per unit, which was $18 higher than our forecast. And our occupancy rate was approximately 98.7 percent, 227 basis points above our forecast of 96.4 percent. Occupancy for the same property portfolio was 98.8 percent, exceeding the forecast by 236 basis points.

On Slide 10, we have a breakdown of our operating expenses for the first quarter. Property operating costs were $4.2 million and property taxes were $2.4 million. These figures were slightly higher than forecast due to the additional costs associated with the two property acquisitions in Calgary. However, utilities of $2.2 million came in below forecast. I'd note that utility costs are highly variable based on the usage and prevailing utility rates and commodity prices. On a same property basis, operating costs, taxes, and utilities all came in below forecast.

Total operating costs were 19.1 percent of revenue in Q1, below the forecast of 20.4 percent. This shows that we continued to be disciplined in our cost management as we expand our portfolio.

Slide 11 demonstrates the organic growth we are generating from suite turnover. As Michael noted earlier, we signed 247 new leases during the quarter, including 29 in Toronto, 155 in Ottawa, and 63 in Alberta. We generated an average monthly rental gain of 8.4 percent on these suites. In Toronto, we had a gain of 18.6 percent, which demonstrates the strength of that rental market, but we were pleased with the results right across the portfolio. These rental increases provided annualize incremental revenue of approximately $355,000 to the REIT.

We continue to have tremendous gain-to-lease opportunities across the entire portfolio. We currently see an opportunity to generate nearly $7 million of annualized incremental revenue growth by bringing the rents up to market levels. The significant increase since Q4 2018 is the result of higher market rents, especially in Ottawa and Toronto. In Ottawa, strong demand at 185, which recently completed its repositioning program, and the Parkwood Hills community have put upward pressure on rental rates.

At the time of our IPO, we estimated the gain-to-lease opportunity was $5.1 million. Since then, we signed 860 new leases in nine months and the optioning still increased to almost $7 million as at March 31st. This does not include our recent property acquisitions in Montreal and Toronto, so you will see an even bigger gain-to-lease potential when we report our second quarter results.

I'll now provide an update on our repositioning program. During the first quarter, we renovated eight suites at Minto Yorkville in Toronto and 13 suites in our Edmonton portfolio. We still had 191 remaining suites to reposition at these locations at the end of the quarter. We also commenced repositioning activities at our Carlisle and Castle Hill properties in Ottawa. Subsequent to Q1, we signed s6 leases for repositioned suites at Carlisle and 13 leases for repositioned suites at Castle Hill. These renovations are accretive to AFFO and net asset value with an average simple return on investment target of 8 percent to 15 percent.

As Michael noted earlier, we're excited about repositioning opportunities that our newly acquired properties: Rockhill in Montreal and L/YM in Toronto. We'll have more say about those in subsequent quarters.

Turning now to our balance sheet on Slide 13. We continue to have a strong liquidity position in a conservative bit repayment schedule. At the end of the first quarter, the weighted average term to maturity on our fixed rate debt was just over six years with a weighted average interest rate of 3.17 percent. Nearly three-quarters of our debt is CMHC-insured lower cost debt and approximately 90 percent is fixed rate.

Our debt to GBV was 47.4 percent as at March 31st and our available liquidity was about $87 million.

I'll now turn it back to Michael for some closing comments. Michael?

**Michael Waters**

Thanks, Julie. I'd like to briefly review our recent public offering of trust units. Including the overallotment, we sold 8.8 million units at a price of $19.60 per unit, raising gross proceeds of approximately $173 million. The units were sold at a 3.16 percent discount to the prevailing market price at the time of the announcement. We're not sitting on the cash; the proceeds have been fully deployed. They were used to partly finance the Rockhill and L/YM property acquisitions and to repay outstanding amounts under our revolving credit facility that were drawn for previous investments.

Our balance sheet remains strong following the acquisitions of Rockhill and Leslie/York Mills, and the unit offering, all of which occurred subsequent to quarter-end. Our debt to gross book value ratio is approximately 44 percent. This leaves us with a capacity for approximately $160 million in acquisitions without the requirement for additional equity.

Turning to our outlook on Slide 15, from the start, our goal has been to grow the REIT in a strategic and disciplined manner. We've executed very well on that strategy so far and we plan to continue doing so. We will continue to generate organic growth by capitalizing on gain-to- lease opportunities in our portfolio. Julie noted earlier that we currently see the potential for an annualized revenue gain of nearly $7 million from suite turnover. Asset repositioning takes a little bit more work, but this program is creating significant value for unitholders as well. We've more than 500 suites to reposition at Minto Yorkville, the Edmonton portfolio, and the Carlisle and Castle Hill properties in Ottawa, as well as common area improvements. Plus there's repositioning potential at our newly acquired Rockhill and L/YM properties.

We're also exploring further external growth opportunities. We continue to see a strong pipeline to acquire attractive multi-res assets in major urban centres across the country. And with our strong balance sheet, we're well positioned to execute on future acquisitions. This is hard work, and we've been disciplined, but have seen success on this front.

Finally, we'll continue to capitalize on our relationship with the Minto Group to source growth, either through intensification of existing assets or by accessing the Minto Group's pipeline of properties and development opportunities. We have already benefitted from the important strategic relationship most recently with the L/YM property acquisition, so it clearly represents a competitive advantage for us.

This concludes our remarks this morning. Julie and I would now be pleased to answer any questions that you may have.

Jessica, please open the line for questions.

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## Q&A

**Operator**

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Once again, should you have a question, please press the *, followed by the 1 on your touch-tone phone. You'll hear a three-tone prompt acknowledging your request, and your questions will be polled in the order they are received. Should you wish to decline from the polling process, please press *, followed by the 2. And if you are using a speakerphone, please lift the handset before pressing any keys.

Your first question comes from Jonathan Kelcher. Please go ahead.

**Jonathan Kelcher** — TD Securities

Thanks. Good morning.

**Michael Waters**

Hi, Jonathan.

**Jonathan Kelcher**

First question, you talked a little bit in your remarks about the gain-to-lease growing in Q2 as a result of the acquisitions. Is that more Montreal than Toronto? Or is—maybe you give a little more colour on that as to which property?

**Michael Waters**

I think we spoke about the gain-to-lease growing in Q1, and I think—are you speaking about future outlook?

**Jonathan Kelcher**

Yeah. I think Julie in her remarks said that the gain-to-lease could expand in Q2 with the two acquisitions.

**Julie Morin**

Yeah, so I think we're going to see expansion on that 7 million. I can't quantify at this point what that number's going to look like, but there is definitely additional opportunity there.

**Michael Waters**

Particularly with the L/YM and Rockhill acquisitions we could see that number go up.

**Jonathan Kelcher**

Okay. So would you say that they would be … like I guess you're 10—just under 10 percent below market. Would that be the similar for those two assets? (unintelligible)

**Michael Waters**

I think it's still a little too early for us to say. Both of those assets, we only just closed Rockhill yesterday, and it will take us another six weeks or so till we get to end of quarter and then I think we'll have a far better sense about what that gap to market is on Rockhill.

Leslie/York Mills, as we've talked about, there is obviously potential for repositioning there as well, and we think there is a gap to market on that asset as well. But again, we'll publish more concrete stats at the end of Q2 that'll give a lot more colour around that.

**Jonathan Kelcher**

Okay. Fair enough. And then just secondly, there is development potential on Leslie/York Mills. Do you have a sense of timing on that on when you potentially could be in the ground there?

**Michael Waters**

It’s a little bit uncertain in the sense that while the site has now been rezoned, we recently passed the last sort of planning appeal processing in late February. We are engaged in site plan application process right now and there are a number of other hurdles to get through, including advancing our detail designs. We’re in the design development stage right now, which sort of gets you to sort of 35 percent to 50 percent of construction growing details. Then we have to go through a much more detailed tendering process, arranging for construction financing commitments, and then we need to seek agreement with our partner who—and, of course, we have to bring the whole package forward to our trustees who will ultimately approve us putting a shovel in the ground.

So I’m a little bit loathed to give definite timing, simply because some of this optimistic and confident based on our years of developing in Toronto that this one is a near-term opportunity for us.

**Jonathan Kelcher**

Okay. But it sounds like it’ll be, you know, in terms of development in Toronto it’ll be Richgrove first and then this one? In terms of—

**Michael Waters**

You know, they’re at different stages. Richgrove is also a fully zoned site, and also we’re going through a site plan approval process. And so many of the same steps are required at Richgrove, and it’s kind of a—it’s hard to say which one of them will actually be shovel in the ground first. They both have site issues that we need to come over. There is some demolition required on both sites to clear away the existing parking structures. They both need to complete the site plan and detail design and tendering work, but they're—I don't know—neck and neck. I don't know what the horseracing analogy is with the Kentucky Derby just past. I don't want to say, you know, which one will get—

**Jonathan Kelcher**

You don't want one disqualified?

**Michael Waters**

Yeah. I'm not sure which will be queue (phon) first, but we're working with the municipal authorities on that, and I'm very optimistic that we'll bring those forward. Both of them forward in the near term.

**Jonathan Kelcher**

Okay. Thanks. I'll turn it back.

**Operator**

Your next question comes from Brendon Abrams. Please go ahead.

**Brendon Abrams** — Canaccord Genuity

Hi. Good morning, everyone.

**Michael Waters**

Hey, Brendan

**Julie Morin**

Good morning.

**Brendon Abrams**

Just on the two repositioning assets in Ottawa, the Carlisle and Castle Hill, combining almost 370 suites. Just given that the properties, I think, would be pretty full, can you just talk a little bit about balancing, you know, spending the more significant CapEx to reposition the assets and drive future revenue growth versus spending a little bit more, let's say, moderate amount of CapEx to simply sustained kind of good operations in what is a strong market today?

**Michael Waters**

Well, I mean, we've typically seen really strong ROIs on repositionings, and so I mean the increment over the base case, the status quo, we're seeing ROIs of somewhere between 8 percent and 15 percent. So we sort of use the status quo as the datum on which we forecast the value-add potential. So we see it as an opportunity to build on the strength of these two assets and create incremental value for the unitholders by deploying that capital as suites turn over. And what we've seen is, there's 176 suites in the Carlisle, 191 at Castle Hill. We completed the test suites in Q3 of last year, entering in Q4, and began renovation work. And subsequent to quarter-end, we signed six new leases at the Carlisle and 13 at Castle Hill, and both of them were at lease rates that were consistent with our internal underwriting, and even higher in some cases. So we see these as almost no-brainers given the work that we've done on test suites, tendering, and it's proving out in the leases that we're signing out, Brendon.

**Brendon Abrams**

Okay. That makes sense. And turning to the gain-to-lease, specifically in Toronto, I mean, it's reaching almost 20 percent. It seems like suite turnover, lease, in terms of signing new leases, has been fairly steady the last two quarters, but heading into kind of the more active leasing spring/summer season, do you have an expectation for work turnover is going to trend? Specifically, like, do you expect it to trend down turnover in the spring/summer relative to prior years, just given how this gap continues to widen?

**Michael Waters**

So there's a strong seasonality in turnover, and Toronto's no different from that; Q1 tending to be the lowest turnover quarter. Q2 and Q3 tend to be ones that seasonally see more turnover. I think your question is are we forecasting to see relatively more year-over-year Q2 versus Q2 '18, and I think what we've seen is a longer-term trend in Toronto to see turnover get pushed down, and so I think that we're looking at that and seeing, you know, that be consistent with our portfolio. So we, to some extent, need to wait for tenants to make that decision to leave their tenancy, but we're expecting to see that number come down a little bit.

So that might be down a couple hundred basis points year over year on a full-year basis, but I think we're seeing pretty good turnovers overall relative to the industry.

**Brendon Abrams**

Okay. And then just a last question from me before I turn it over. Just with respect to the distribution, I know you haven't been even public for one year yet, but potentially, is there any colour with respect to how you see the long-term setting the distribution, whether it's in terms of payout ratio, or? And just any colour on that?

**Julie Morin**

Yeah. So when we did the IPO, we had set the distribution at 65 percent based on our forecast, and obviously our numbers have come in favourable to that, so the payout ratio has gone down. It is something to your point that, you know, still fairly new, just three quarters in, so it is something that we have our eye on and that we'll certainly bring up with the trustees and continue to have discussions on it over time.

**Brendon Abrams**

Okay. That's helpful. Thank you.

**Michael Waters**

Thanks, Brendon.

**Operator**

Your next question comes from Troy MacLean. Please go ahead.

**Troy McLean** — BMO Capital Markets

Good morning.

**Julie Morin**

Hey, Troy.

**Troy McLean**

Just on the York Mills and Richgrove projects, would you be willing to have both under construction at the same time? Or would you want to finish one before you started the other?

**Michael Waters**

No. I think we'd want to go with both simultaneously. We certainly have, through the Minto Group, the capacity from a construction development expertise, so bandwidth is no issue. And certainly, within our internal forecast from a liquidity and other perspectives, we've got the financial capacity to do them both as well, and I think it would seek to benefit unitholders if we were able to move both forward as quickly as possible.

**Troy McLean**

And then just on the repositionings. Are you seeing any cost pressure on either what the market is asking for, or just general inflation? Or has the cost stayed pretty consistent?

**Michael Waters**

No. I mean, one of the benefits of our approach, when we conduct a test suite program, you know, at a property like Castle Hill or Carlisle, for example. In the tests, we work with our trades to expose the existing conditions, so our trades are able to, through that test we process, get a really good sense of cost and effort that is involved in the repositioning program. After we've exposed each of those suites individually in the market and we know what the lease-up potential is, then what we do is then we begin the repositioning program, but we're doing that now with the benefit of our trades having been able to go in and do some demolition on the test suite, so they know what they're working with. They understand the site specifics in terms of staging and logistics. They understand the specifics of what they're working with for mechanical systems behind the walls, et cetera.

And so what we do bake into our numbers is some inflation and—but remember, we have huge buying power. The REIT is able to benefit from the Minto Group's volume, both on the apartment side in that, for example, appliances. We're buying a huge volume of appliances , but we also benefit from it on the new construction side on the new home side of Minto Group's business. So from our perspective, we're seeing inflation only, and that's sort of consistent with the underwritings that we're seeing right now.

**Troy McLean**

Thanks, Michael. That's good colour. And then I just have a couple of quick questions. You said turnover is coming down and it could be a little lower in 2019. So would that be around 25 percent for full year 2019 would be kind of a good way to look at where turnover is going to end up?

**Michael Waters**

Yeah. That's probably not unreasonable.

**Troy McLean**

And then just finally, I know it's the smaller part of your portfolio, but just the Alberta market overall. Would you say the market right now is stronger than it was this time last year? Or is it more going sideways?

**Michael Waters**

Well, you know, I'll start and just talk to you a little about how our properties are performing. So in Q1, Calgary, on a same property basis, was favourable to our forecast in terms of revenue, occupancy, and expenses. We saw good lead traffic. It improved year over year, so we were getting around 39 leads per available suite, so quite happy with that. If you think of the two acquisitions that we did there, Kaleidoscope and Quarters, they finished Q1 in line with our underwriting, so that was positive.

The Edmonton properties finished Q1 slightly unfavourable in revenue due to higher vacancy relating to our suite repositioning program. So operating expenses there were favourable to our forecast, that tended to even out a little bit. Leads in Edmonton were also up year over year and they currently sit at about 30 leads per available suite. So I would say year over year, broadly speaking in the market, leads volume has been better than what we saw last year.

**Troy McLean**

Thank you. That's great. I'll turn it back now.

**Michael Waters**

Thanks, Troy.

**Operator**

Your next question comes from Brad Sturges. Please go ahead.

**Brad Sturges** — Industrial Alliance Securities

Hi. Good morning.

**Julie Morin**

Good morning.

**Michael Waters**

Morning.

**Brad Sturges**

I guess what's curious to know, you know, there has been some articles recently about the Ontario government looking to, I guess, improve the development process and speed it up; reduce some of the red tape. From the Minto group of companies, have you had much discussion with the government ? And obviously speeding it up I would assume is something that you would have approval of. But just give us some view of what you've heard or what discussions you may have had.

**Michael Waters**

So we were fortunate to be early on involved in the consultation process with the government and had the opportunity with some other industry leaders to provide our views and our experience, which goes back almost 65 years. So we've got a long body of knowledge here that we were able to share. Our view is that the overall tone and direction of the changes is quite favourable. Of course I think we're like a lot of industry players, we're waiting to see the detail that will come out in the draft legislation, the regulations. But certainly the tone and tenor of the conversation and the announcement from the Ministry of Housing was very positive.

I'll note that we've also been involved through trade organizations, FERBO and BILD and others. And so have also had an opportunity to see it from that perspective as well, and that's been largely consistent with our direct consultation. So we are cautiously optimistic about the outcome from this and I think it will benefit a REIT like Minto Apartment REIT which is more value-add, intensification development oriented.

**Brad Sturges**

So within those discussions or consultations I guess the process or the speed of the process is one factor, but cost obviously is a big factor too, and the question around development charges for example. Would there be any discussion about trying to find ways to trying to encourage new supply from the cost perspective as well?

**Michael Waters**

So if you parse through the wording of the government announcement, they do talk about inducements for certain types of housing to encourage adding more supply for certain types of housing. We speculate that that may be involved in the way that infrastructure funding is—through development charges—is imposed. And so we're looking to see what that detail is and how that might manifest. Certainly the question of infrastructure funding in Ontario has been a problem in years past. It's often been an issue that's held up development and so we're pleased to see that the government recognizes that and is working towards a solution.

**Brad Sturges**

Okay. Great. Thank you.

**Operator**

Your next question comes from Mike Markidis. Please go ahead.

**Mike Markidis** — Desjardins Capital Markets

Thank you. Just following up on Brad's question with regards to the proposed Bill 108. When you say that it's quite favourable, Michael, I was just wondering, clearly from a developer's mind-set that would be the case, and if the REIT has some intensification opportunities, there's an ability to add value that way. I was just curious, taking it a step further, if you think about if, hypothetically speaking, it has the desired effect of stimulating a very—and I'll call it an appropriate amount of supply, just given the household information (phon) and demand that we see in major markets in Ontario, what the potential follow-on impact could be on the REIT's existing portfolio?

**Michael Waters**

You know it's really tough to say simply because we don't know the detail. We don't understand what types of product they're seeking to foster, and that's sort of alluded to in the text of the announcement but the detail just simply isn't there.

The other thing to note is that there is no quick fix to the Ontario housing affordability crisis. These are long-term problems whose core causes lie decades in the past in some cases, and they will take a long time to fix. And so I don't anticipate there is a silver bullet. I think the measures that the government have talked about will help, and adding more supply of all housing types will help alleviate the situation. But I think what we've seen in Canada from a demand perspective in terms of population growth and integration in particular, I think is overwhelming the supply that's coming online and I just don't see any silver bullet that's going to change the supply equation overnight. This will take quite a long time to remedy. And so from our perspective we see the very strong supply-demand dynamic in rental housing, particularly in the centres where we're located. And if you think about Toronto and Ottawa where we've got assets, the properties where we're at are built up, centrally located properties, and I think that they will endure even new supply coming online.

**Mike Markidis**

Okay. That's helpful. Thanks. I figure this is going to be another question where you're going to say it's difficult to say. But if we were to look at a property like Leslie and York Mills, for example, and you've got an average rent I think is $1700 a month. And with a repositioning let's say you put some additional capital, you can boost that by the 10 percent to 15 percent that you target on—well, above the market gap which I'm sure is even higher. How would you look at a potential new rent for the—on a per square foot basis—for the new rental terraces per se versus what it would be for a repositioned unit in the existing structure?

**Michael Waters**

They're quite different simply because the built form of the new rental suite, the 102 new units we'd be adding to site are sort of in a terrace home, wood frame over a concrete parking garage structure versus the 409 existing suites are in 18-storey towers. I really don't see them as being competitive, one to the other, they would be complementary, I think, if anything. I would expect that there will be a different price point between the ground-oriented rental terrace homes versus the tower format legacy suites that we're repositioning.

**Mike Markidis**

And would you expect the terrace homes to be higher from a price point perspective?

**Michael Waters**

Yes. For sure. They're new construction, they are ground oriented, the suite size might tend to be a little larger in some cases. So they've got all the benefits that I think would generate an incremental rental value.

**Mike Markidis**

Great. Okay. And last question before I turn it back. Julie, I was just hoping you could provide us with a, perhaps, a range for total CapEx based on—for 2019—based on the existing portfolio, including the post quarter acquisitions?

**Julie Morin**

So we haven't provided guidance in the past on our CapEx and certainly with respect to the repositioning. So a couple of things on that one. It's really hard because depending on the suite type that we're renovating, the cost per suite is very different. And then going into Montreal, we still have to study and do a couple of test suites and whatnot in order to figure out what the actual cost for those are going to be. So all that's a pretty hard question for us to answer.

**Mike Markidis**

Okay. Thank you very much. I'll turn it back.

**Michael Waters**

Thanks, Mike.

**Operator**

Your next question comes from Matt Logan. Please go ahead.

**Matt Logan** — RBC Capital Markets

Thank you. And good morning.

**Michael Waters**

Good morning, Matt.

**Matt Logan**

Michael, can you talk a little bit about what you liked most in your Rockhill acquisition and the opportunities that you see in the broader Montreal market?

**Michael Waters**

Yeah. So I think that we've talked about in the past the criteria that we look for in acquisitions. We're looking for stabilized assets where there is a gap to market, and certainly that exists here at Rockhill. We're looking for assets where there's repositioning potential. And in this case what we saw with Ivanhoé

Cambridge had added a lot of value. They had spent significant amount of capital in common areas, in parking garages, in balconies, corridors, and things of that nature.

What they left, though, was over 90 percent of the suite count available for repositioning, and so it really checked that box for us. As an asset from a location perspective, it's very, very strong. What we've seen there in terms of where it's located—and, Matt, I don't know if you know Montreal well—but it's immediately adjacent to Mount Royal, and it's got a very high walk score. It's 100 metres from a metro stop. There's a tonne of amenities around it. But it's also surrounded and in very close proximity to the University of Montreal, several hospitals, so it's got strong job drivers in that immediate locale.

When you get into the property itself and you look and see the bones that are there, they are just absolutely tremendous. We look forward to doing a tour of Rockhill at some point so that all of you can see the potential that it has. But it just meets so many of those key criteria that we look for in an acquisition, and that's why we were so excited when it did arrive.

**Matt Logan**

That's excellent. And in terms of unlocking future acquisition opportunities, do you have any sense of timing or potential magnitude?

**Michael Waters**

Well, I wish we could be definitive in that regard. You know, what we've seen with the Rockhill acquisition is we really put Minto Apartment REIT on the map in Montreal with owners of properties who are looking to sell. It certainly—we've seen more deal flow. We've been very disciplined in the past about what we're looking for in a deal, and we discard far more opportunities than we focus on. So to some extent, we're looking for that diamond in the rough. And sometimes you'll look through five, or six, or ten deals before you find one. And then structuring the deal and diligencing it, these all take time. So I can't be definitive. We're not growing for growth's sake. We want to add selectively to our portfolio to build the quality, and sometimes that takes time. We've been very successful to date over the first three quarters of the REIT's existence. I'm optimistic that we'll be able to selectively add other great properties to the portfolio, but I can't be too definitive about timing.

**Matt Logan**

Of course. And maybe just changing gears slightly. In terms of the organic growth for the portfolio, you had set a target of about 4 percent at the IPO, which you've had great success in the three quarters since. With momentum in the business and growing to mark-to-market spreads, do you think that that 4 percent might actually be a little bit higher as we head into the balance of 2019?

**Michael Waters**

I think so. I mean, obviously, the dynamics of the rental market are very, very strong, and that's obviously a very favourable tailwind that's helping us. I think one of the things that we do manage, I mean you're thinking about the top line, and certainly that's very positive. We are focused on the cost side of the equation well. We have seen cost pressures from the perspective of property insurance. We've seen the implementation of the new carbon tax and other things like that that are sort of countering some of that thing. So I guess I do see positive reasons for optimism on the revenue side. I just want to inject a note of caution, just from a cost side of the equation as well, though.

**Matt Logan**

Absolutely. It makes sense. That's all for me. Thank you very much.

**Michael Waters**

Thanks, Matt.

**Operator**

Your next question comes from Matt Kornack. Please go ahead.

**Matt Kornack** — National Bank Financial

Good morning, guys. I was wondering, Julie, going into this quarter you had mentioned some concern about seasonality, given the winter weather. And I think it did come in op costs in terms of snow removal, but your utilities costs were pretty good, and margins, I think, were better than what we were expecting. Can you speak to what the dollar impact would have been on the snow removal costs, and then why natural gas would have been, I think, if anything, you did better on that front?

**Julie Morin**

Yeah. For sure. So the snow removal costs were actually higher by about 130,000. We were fortunate because we were able to scale back in some other areas and offset that increase overall. But on the utilities front, a lot of it had to do with overall consumption, which was lower than we expected.

**Matt Kornack**

Okay. And then in a similar vein, I think it was mentioned that CapEx may have been a little lower in the quarter as a result of inclement weather. And it was low relative to what you spent in Q4. I know Mike already asked with regards to the total spend, but do you have a sense as to how much would have been deferred that may have otherwise been spent in the quarter if it weren't for the weather?

**Julie Morin**

So I will answer that question in two parts. The first one being just normal CapEx around our value-add program. So when you look at Yorkville and Edmonton, we're getting to the point where we've repositioned a lot of those properties and we're sort of waiting for people to leave so that we can access the additional suites. But in the quarter, we've started Carlisle and Castle Hill, and then we're going to start L/YM as well as Rockhill as well. So I think you can expect that number to go up in coming quarter.

With respect to the more of the maintenance sights on our CapEx reserve, as you saw, it was very low in Q1, and as you mentioned, it was pretty much all related to weather. So we do expect that to creep back up in Q2 as the weather gets better.

**Matt Kornack**

Okay. So Q4 would have been higher because you were still repositioning suites at Yorkville and in Edmonton. This quarter you didn't have as many suites being repositioned, but you expect that obviously to ramp up with Rockhill and the others?

**Julie Morin**

Yeah, for sure.

**Matt Kornack**

Okay. Last question. With regards to furnished suites, and I know there isn't a tonne of disclosure on them, and that they move around, but can you give a sense as to what the rent would have been on those 241 furnished suites? And that number has held pretty stable, so doesn't seem to be impacted too much by seasonality, but any colour you can provide on the furnished suites would be great.

**Julie Morin**

So I guess what I can say on furnished suites is our Q4 numbers for furnished suites was extremely high. We had, I'm going to say, even ahead of our forecast and probably by about 300,000. We saw some of that come down in Q1 as the film industry didn't show up as much in Toronto so we saw a little bit of a decrease because of that.

In terms of actual number in terms of revenue per suite, I don't have that number offhand.

**Matt Kornack**

Okay. No problem

**Julie Morin**

And it varies, to be honest, depending if it's a suite at Yorkville or a suite in Calgary at The Laurier. So it would vary quite significantly, depending on the property.

**Matt Kornack**

Fair enough. No, but I appreciate the incremental colour on Q4.

**Operator**

Your next question comes from Johann Rodrigues. Please go ahead.

**Johann Rodrigues** — Raymond James

Hey, guys. Just two quick ones. One, Julie, do you know what the same property NOI growth was maybe for portfolio Toronto and then Ottawa? Not versus your forecast, but year over year versus Q1 '18? Three months?

**Julie Morin**

I don't have that in front of me, Johann.

**Johann Rodrigues**

Okay. I mean, for the portfolio, it should be somewhere close to 10, right? The 4 percent kind of that you guys had mentioned in marketing the IPO plus the 6 percent that was ahead of that forecast. Am I thinking about that correctly?

**Julie Morin**

You're saying 10 on revenue? Or NOI?

**Johann Rodrigues**

NOI.

**Julie Morin**

NOI. Yeah, I think that's pretty close.

**Johann Rodrigues**

Okay. Okay. And then, Michael, maybe for you. So the Ottawa market, I guess, really over the last maybe year has seen the benefit of some of the home provisions or laws that Toronto and Vancouver have put in, and so you're seeing kind of rent growth and maybe same property NOI growth come in ahead of the historical average somewhere in the range of 150 basis points to 200 basis points at the NOI line. That's just for the general Ottawa market as a whole. Given that you have pretty good visibility in the market, let's say over the next three to five years until LeBreton Flats or Heron Gate or anything from Bill 108 kind of comes on the horizon, how long do you guys think you can—the Ottawa market—you can kind of keep hitting above its weight here?

**Michael Waters**

Well, I guess I would step back and look at the Ottawa market on a—housing market—on sort of a macro basis. And what Ottawa has benefitted from, it doesn't get a lot of press nationally, but we've seen very solid economic growth and jobs growth in Ottawa. There are sectors outside the government sector that generate positive job growth in Ottawa. The tech sector, in particular, has seen very strong growth. If you look at occupancies in office space, for example, those have grown very strongly.

The housing market overall, resale and new home, has seen very strong volumes and solid price growth over the last three years. And what we're seeing as new product on the new home side coming to market sells very quickly. And we're seeing lineups at sales launches, and we're really strong resale activity as well. And I think that translates both the larger macro conditions and, if you will, the housing more broadly, it translates into the rental side. And I'm optimistic about what we're going to see in Ottawa over the next several years. You do touch on a point that there's new supply coming online. Heron Gate is one.

I mean, Timbercreek recently made clear sort of some of their plans, and it's very ambitious. There's lots of things going on.

But the other factor that's out there is some very significant government infrastructure projects. Phase 2 of the LRT. A new hospital campus being developed. So these things are large drivers of economic activity, job growth, and housing demand, both rental and for purchase. And so I think, you know, I'm not just speaking as an Ottawa resident here, I'm looking at it just passionately and saying that I think there are really strong reasons for optimism about Ottawa's economy and the housing sector there, and rental in particular.

**Johann Rodrigues**

Okay. Perfect. Thanks. I'll turn it back.

**Operator**

Ladies and gentlemen, as a reminder, should you have a question, please press the *, followed by the 1.

Your next question comes from Dean Wilkinson. Please go ahead.

**Dean Wilkinson** — CIBC World Markets

Thanks. Question for Michael. Given you've gone through a cycle or two, or maybe more, when you look at cap rates on acquisitions and how stuff is penciling out right now, how low do you think we could get to before you would say, based upon your experience, we're a little out of our—over our ski tips here. I mean, stuff that goes now in the low 3s doesn't seem to bother people. What's your view on that? And where you think the propensity for these things to go could be?

**Michael Waters**

Well, I think people look at cap rates and it's really … I think it's a useful shorthand, if you will, for valuation. But I think it's missing an essential element there, which is growth in NOI. You're basically capping one year of NOI. And I think when we underwrite a deal, we don't underwrite it on a capped NOI basis. We go in and we look at the opportunity in its totality. We're looking for those properties with significant gap to market. And often an appraiser or market observer is seeing only the in-place NOI. They're not seeing the potential that you can unlock through turnover, through repositioning, through intensification of the site. And those are the things that we're looking for.

I agree with your point. If you're going in and battling it out on a 3 percent cap rate on a fully stabilized property with no repositioning, no gap to market, you're going to struggle to make sense. And those clearly are not deals that we're spending any time on.

**Dean Wilkinson**

Yes.

**Michael Waters**

We're looking for the deals where we think we can really drive some cash flow growth from that property through those three levers that we've talked about.

And so I think your question is a good one. I just think I would peel the onion back one more layer and look beneath that capped NOI to look at what are the cash flows this property could generate over a slightly longer period of time. What value can you add by deploying more capital in the property?

**Dean Wilkinson**

Certainly that definitely does take a certain level of expertise to be able to do that. Are you finding that, you know, apartments are the belle of the ball right now, and there's a lot of capital chasing it; that perhaps less sophisticated purchasers are now starting to look at value-add opportunities and their pushing up the valuations there, that it's making that acquisition environment that much tougher? Or are they still just trying to focus on the steady, stable, I don't have to do anything but clip the coupon kind of (unintelligible)?

**Michael Waters**

There's a lot of competition. And the groups that we've seen out there that are actually quite sophisticated, and we have a tonne of respect for a lot of the players that we see out there looking at some of these deals. We have traditionally, as we've talked about, Rockhill was an exception, but tried to find deals that were off market. And they're lots of reasons why a property may choose to sell and not market it broadly, and I think the secret sauce is finding those deals and working in overcoming some of the challenges that that comes with, whether that's a family dynamic or whether the deal has some hair on it, whether it's an environmental issue or something else. And that's really, I think, where we bring something a little different, particularly as it relates to intensification. That takes another level of experience and capacity to do an intensification like a Leslie/York Mills or a Richgrove, and so those are kind of the opportunities that we're looking for.

I still think that's a distinguishing factor, but there are other players who are very strong that have those skill sets and are deploying them. So it's hard work, and we are being very disciplined, but it is challenging for sure.

**Dean Wilkinson**

No doubt. All right. That's good. Thanks. I'll hand it back.

**Michael Waters**

Thanks, Dean.

**Operator**

There are no further questions at this time. Please proceed.

**Michael Waters**

Well, thank you, everybody. I think that concludes our call this morning. Thank you for your interest in Minto Apartment REIT, and we really look forward to speaking with you all again after reporting our Q2 results.

**Operator**

Ladies and gentlemen, this concludes your conference call for today. We thank you for your participation and ask that you please disconnect your lines.