FINAL TRANSCRIPT

Minto Apartment REIT

2020 First Quarter Financial Results

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PRESENTATION

Operator

Good morning. My name is Pam and I will be your conference coordinator today. At this time I would like to welcome everyone to the Minto Apartment REIT 2020 First Quarter Financial 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 star then the number one on your telephone keypad. If you would like to withdraw your question, please press star then the number two.

Before we begin, I'd like 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 news release and MD&A dated May 6, 2020 for more information.

During the call management will also reference certain non-IFRS financial measures. Although the REIT believes these measures provide useful supplemental information about its financial performance, they are 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 — President & Chief Executive Officer, Minto Apartment REIT

Thank you, Pam, and good morning, everyone. I'm Michael Waters, Chief Executive Officer and President of Minto Apartment REIT. Julie Morin, our Chief Financial Officer, is also here with me this morning.

The impact of the COVID-19 pandemic has had a profound impact on our communities, our residents, and our staff. We've worked hard to respond rapidly to the COVID-19 crisis, making a number of adjustments to our processes and operating procedures to protect the health and safety of our residents and team. I'd like to personally thank all of the members of the Minto Apartment REIT team for their dedication, resilience, and commitment during this difficult time. I'd also like to express our sympathy to our unitholders, residents, and staff who've been adversely impacted by COVID-19. I'll speak more about the impact of the crisis later in the call. I'm sure many of you have questions about this and we look forward to discussing it in detail during the Q&A session as well.

I'll begin the call by discussing key highlights from the first quarter. Julie will then review our financial and operating results in detail and then I'll discuss our response to the COVID outbreak as well as our business outlook. After that, we'll be pleased to answer your questions.

Q1 was another successful quarter for Minto Apartment REIT. Rental market conditions were strong in the Toronto, Montreal, and Ottawa markets this quarter before the COVID-19 crisis emerged in March. We capitalized on those strong rental markets to deliver solid financial and operating results. We reported 7.6% growth in AFFO per unit compared to Q1 last year and a 170 basis point improvement in NOI margin. We continued our track record of organic growth in the quarter, generating significant rent increases from both gain-to-lease and repositioning activities. We renovated 71 suites, which drove strong rent increases and reduced future repair costs. Overall, the REIT realized an average gain of 13.6% on new leases signed in the quarter and that result was achieved despite softness in the Alberta rental market.

On the financing side, we completed a $100 million mortgage financing at the end of the quarter, bringing the REIT's total liquidity to nearly $200 million. Maintaining a strong balance sheet is always one of our priorities, but it's particularly important during this period of economic uncertainty.

I'll now invite Julie to speak about the first quarter financial and operating performance in greater detail. Julie?

Julie Morin — Chief Financial Officer, Minto Apartment REIT

Thanks, Michael.

Turning to slide four, we reported same property portfolio revenue, which excludes the impact of acquisitions, of $22.8 million in the first quarter, an increase of 3.1% from $22.1 million in Q1 last year. That growth was driven by higher rents achieved on new leases and higher revenue earned from repositioned suites, partially offset by softness in our furnished suites operations during the onset of COVID-19. Total revenue in the quarter increased 42.4% year over year to $31.5 million from $22.1 million in Q1 last year. The increase was primarily due to the contribution from the five property acquisitions completed subsequent to Q1 2019 as well as higher rental rates on the same property portfolio.

Same property NOI in Q1 2020 was $13.9 million, an increase of 4.7% from $13.3 million last year, reflecting higher revenue and lower utility expenses, partially offset by higher property taxes. As a percentage of revenue, same property NOI was 61.1%, an increase of 100 basis points from 60.1% in Q1 2019. The total NOI in the first quarter increased 46.4% to $19.5 million from $13.3 million last year due to higher NOI for the same property portfolio and the REIT's property acquisitions. NOI margin was 61.8%. As Michael noted, that is an increase of 170 basis points from the NOI margin of 60.1% in Q1 last year.

FFO was $12.1 million in Q1 2020, an increase of 65.6% from $7.3 million last year, primarily reflecting the positive NOI variance. AFFO increased 73.1% to $10.6 million from $6.1 million last year. This increase primarily reflects the higher FFO, partially offset by an increase in maintenance capital expenditure reserve as a result of the REIT's increased suite count. AFFO per unit increased $0.179, which is an increase of 7.6% compared to $0.166 in Q1 last year. We declared cash distributions in the first quarter of $0.11 per unit, resulting in an AFFO payout ratio of 61.5%. Cash distributions were approximately $0.1025 per unit in Q1 last year, resulting in an AFFO payout ratio of 61.7%.

As at March 31, 2020, our same property portfolio consisted of 4,552 suites with an average monthly rent of $1,501 per occupied unfurnished suite and an occupancy rate for available unfurnished suites of 97.2%. Average monthly rent increased by 5.9% or $84 compared to $1,417 at the end of Q1 last year when occupancy was 98.7%. The total portfolio, including acquisitions completed subsequent to Q1 2019 consisted of 7,242 suites at March 31st with an average monthly rent of $1,599 per occupied unfurnished suite and an occupancy rate for available unfurnished suites of 97.3%. Average monthly rent increased by $182 or 12.8% compared to $1,417 at the end of Q1 2019 when occupancy was 98.7%.

Turning now to our operating expenses on slide five, beginning with the same property portfolio, property operating costs of $4.3 million increased very slightly from Q1 2019 due to higher insurance costs. Property taxes increased 5.4% to $2.5 million due to higher assessments and changes in tax rates, especially in our Calgary properties. And utilities expenses declined 4.1% to $2.1 million. That was primarily due to lower consumption, which resulted from milder winter weather and utility conservation initiatives. On the right side of the chart you can see the operating expenses for the total portfolio. We had property operating costs of $5.8 million, property taxes of $3.4 million, and utilities expenses of $2.8 million in the first quarter. These represented increases of 36.7%, 42.6%, and 28.9%, respectively, from Q1 2019, reflecting the five property acquisitions we completed subsequent to that quarter.

On slide six we have broken down our gain-to-lease activity in Q1 2020 along with our current estimate of the gain-to-lease potential of the portfolio. Beginning with the upper chart, we signed 353 new leases during the first quarter. The average rent on these suites increased by 13.6% from $1,551 to $1,762. As a result, the REIT generated an annualized incremental revenue gain of approximately $780,000. As you can see on the second column from the right, we achieved the 13.6% revenue gain on new leases despite the softness in the Alberta rental market. The rental gains in our markets were exceptionally strong.

The lower chart shows the gain-to-lease potential that we estimate in our portfolio as at March 31st. We believe we can generate approximately $14.7 million of annualized incremental revenue growth by bringing rents in 6,760 occupied unfurnished suites to market level; however, we do not currently see positive gain-to-lease potential in the Alberta market. Alberta is facing the dual negative impact of both COVID-19 and a significant drop in oil prices. Landlords have been offering incentives to attract new tenants and we can’t predict how long the current market conditions in the province will persist. Despite our cautious outlook on Alberta, we believe the gain-to-lease potential remains very strong in our other markets, as shown in the chart.

Slide seven provides an update on our suite repositioning program. We renovated and leased 71 suites during the first quarter, or 48 at our proportionate ownership share, at an average cost of approximately $34,600 per suite. These renovations generated an average annual rental increase of approximately $3,500 per suite, resulting in an average annual unlevered return for the REIT of 10.1%. That is consistent with our target returns of 8% to 15% for repositioned suites.

On slide eight you can see that we still have significant repositioning potential in our portfolio with over 2,000 suites remaining to renovate across several of our properties, Minto Yorkville, Leslie/York Mills, High Park Village, Carlisle, Castle Hill, Rockhill, and our Edmonton portfolio. In addition, we are currently developing renovation programs at Haddon Hall and Le 4300 properties in Montreal, which we (inaudible) last year by renovating test suites. Formal repositioning programs for 450 suites at these two properties will be rolled out once we have completed our feasibility analysis and suite specification.

Our repositioning program had been put on hold due to government restrictions in Quebec and Ontario relating to COVID-19. Quebec has relaxed its restrictions and we are restarting our repositioning program in Montreal. The rate at which we can implement the program is dependent on suite turnover, the ability to restart supply chain, and the ability to safely coordinate our trades to maintain social distancing. Restrictions are still in place in Ontario. Our previous repositioning estimate of 300 to 350 suites for 2020 will be revisited once all restrictions have been lifted.

Another important pillar of our growth strategy is intensification and development. As you will recall, we advanced financing to an affiliate of Minto Properties for Fifth + Bank, a project in Ottawa's attractive Glebe neighbourhood. A former commercial property is being redeveloped into a mixed-use, multi-residential rental and retail property. We were able to participate in this project because of our strategic alliance with the Minto Group and we have an exclusive option to purchase it upon stabilization at 95% of the appraised fair market value. You can see on the lower photo on slide nine that construction at Fifth + Bank is well underway. The demolition of the former structure is complete and site excavation and installation of tie-backs is nearing completion. In addition to Fifth + Bank, we are seeking development approvals for intensification of the Richgrove and Leslie/York Mills properties and rezoning approval for intensification at High Park Village. These projects could add more than 1,200 suites to our portfolio.

Turning now to our liquidity on slide 10, as at March 31st, the REIT had $198.6 million in available liquidity from cash reserves and availability on its revolving credit facility. We have a conservative leverage ratio and a balanced debt maturity schedule. No major repayments on our fixed rate debt are due until 2022. As of March 31, 2020, the weighted average term to maturity on our fixed rate debt was 5.72 years with a weighted average interest rate of 3.15%. A total of 77% of our debt is fixed rate and 75% is CMHC insured. Debt-to-gross book value was 42.6% at the end in Q1 and actually declined to 39.8% on April 3rd after cash received on March 31st from the one80five mortgage financing was used to repay amounts outstanding on the REIT's revolving credit facility.

I'll now turn it back over to Michael.

Michael Waters — President & Chief Executive Officer, Minto Apartment REIT

Thanks, Julie.

Moving to slide 11, the world has obviously changed a lot in recent weeks. The economic hardship being caused by COVID-19 is significant. The situation is evolving rapidly, but I'd like to discuss the impact on the REIT to date and how we've responded.

As we reported previously, the vast majority of our tenants paid their rent in April, so the initial financial impact on the REIT was not material. For residents who've been unable to pay their rent because of financial hardship, we've offered rent deferral plans that allow the deferral of up to 50% of rent for up to three months, with rents deferred being repaid over three to nine months. As at April 30th, 2.3% of our residents had entered into deferral plans.

With regards to new leasing activities, we signed 117 new leases in April and we generated rental increases in all our markets except Alberta, which has unique challenges because of the oil price decline, as outlined earlier. The average gain-to-lease for the whole portfolio, including Alberta, was 6% for April. The Ottawa and Toronto portfolios generated 11.9% and 11.8%, respectively. So, even in a highly uncertain economic environment, the Toronto, Montreal, and Ottawa rental markets are proving to be very resilient.

We continue to have strong occupancy rates. Our occupancy of available unfurnished suites at the end of April was 96.8% compared to 97.3% a month earlier and 98.8% at the end of April 2019. We're still early in the month for May collections but as at May 5th we've collected more than 90% of May's contractual rents, which is in line with our normal collection cycle.

COVID-19 has also caused us to alter some aspects of our strategy and operations, as you can see on slide 12. We've deferred major capital projects until later in the year unless they are required for the health and safety of our residents or are necessary for the operation of a building. As Julie stated, repositioning activities were put on hold due to government restrictions imposed in Ontario and Quebec. Quebec has since relaxed restrictions and we'll begin to restart our repositioning program in Montreal shortly. Restrictions are still in place in Ontario and we'll restart the program there, again, in a safe manner as soon as regulations permit.

We expect some operating costs to increase during the crisis. As you can imagine, our cleaning and utility costs are higher than normal; however, with suite turnover expected to slow, we have relatively lower repairs and maintenance costs. So, while we will see more volatility in our operating costs, we don't expect a material change to the REIT's NOI margin.

It's encouraging to see provinces putting plans in place to reopen their economies, but there will still be a great deal of economic uncertainty in the months ahead. We are continuing to closely monitor the impact of COVID-19 on the REIT and we will make further adjustments to our strategy and operations as needed. Fortunately, we're well positioned to get through this period of disruption with our strong balance sheet.

Finally, I'd like to conclude with some comments on our business outlook on slide 13. In the short term, our biggest priority is supporting the health and safety of our residents, employees, and business partners. We've implemented several commonsense initiatives to mitigate the spread of COVID-19 at our properties, including closure of all common areas, increased sanitization of shared surfaces in areas, and having employees work from home wherever possible. You can read more about these initiatives in our April 16th business update. We're also adapting our leasing strategies to capture demand in these challenging market conditions. We've adopted a number of measures and tools to allow contactless leasing.

We continue to manage the REIT's liquidity very carefully to ensure that we can continue to meet our financial obligations for the foreseeable future and we're preparing plans for our staff to gradually return to work safely once restrictions are lifted. This public health prices will eventually subside and, as it does, our focus will be to continue executing on our strategy. We plan to generate further organic growth through gain-to-lease and repositioning activities and external growth through strategic acquisitions. We expect that our relationship with the Minto Group will continue to be an important source of growth for the REIT, as it has been since our IPO.

That concludes our presentation this morning. Julie and I would now be pleased to answer any questions you may have. Operator, please open the line for questions.

Q & A

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press star followed by one on your touchtone phone. You will 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 star followed by two. If you are using a speakerphone, please lift your handset before pressing any keys. One moment for your first question.

Your first question comes from Matt Logan with RBC Capital Markets. Please go ahead.

Matt Logan — Analyst, RBC Capital Markets

Thank you and good morning.

Michael Waters — President & Chief Executive Officer, Minto Apartment REIT

Hi, Matt.

Matt Logan — Analyst, RBC Capital Markets

Michael, could you give us any colour on the continuity of your operations and how your team's adapting to a work-from-home environment, whether that's technology or things like your contactless leasing?

Michael Waters — President & Chief Executive Officer, Minto Apartment REIT

Sure. Immediately after the WHO declared a global pandemic, I think it was on March 11th, we immediately began moving all of our staff to work from home wherever that was possible, so that, in a sense, meant all of our head office staff, regional office staff moved to work from home, and so there was a tremendous amount of work, provisioning staff with appropriate hardware, VPN, and other tools to allow them to do that. I'm pleased to say that that went quite seamlessly.

Within our properties, we implemented a number of COVID-related health and safety precautions. So those included enhanced cleaning protocols in high-touch surfaces. They were basically cleaning them every two hours. Providing hand sanitizer in common areas. We closed all amenity spaces and lobby seating. We installed plexiglass shields for concierge staff plus social distancing markers on the floors to ensure that there was enough space between residents and staff. All of our suppliers have pandemic plans and are following our protocols.

We closed our resident service centers, as I mentioned, and are communicating with all of our residents by e-mail or phone. And we've shifted our payments to PAP, online banking, and cheques only, controlling access at the front doors with sign-in and resident calls to greet guests. We put a tremendous amount of work into communication and notices signage and other measures at all access points, elevators, and we also put in mandatory 14-day isolation for international travelers amongst our staff. Tenant web pages were updated for FAQ and relevant links to key topics to help keep our residents safe.

And as we talked about earlier, we've moved to a contactless leasing. What that means from Minto's perspective is that a call center team, like all of our office staff, moved to work from home in mid-March. We are conducting virtual tours for those who are interested in renting with suite videos and other tools. Lease signing is now being done electronically. And then on-site guided tours are all being done on a sort of self-serve basis with very, very limited in-person tours, but always with separation. So we've moved to a completely contactless leasing process.

We have made other measures. We've postponed annual suite inspections. We've sort of deferred non-essential in-suite occupied repairs. And then within the mechanical system protocols, we have increased the fresh air handling in all of our corridors and common areas, basically moving them to 100% 24/7 and then increased the HVAC maintenance filter replacement where applicable.

So there have been a lot of different measures that we put in place to try and keep residents safe and I'm pleased to say that we have only one confirmed COVID case amongst our staff and none reported amongst our residents.

Matt Logan — Analyst, RBC Capital Markets

Well, that's great news. And maybe just changing gears here a little bit, in terms of the REIT's strategic relationship with the Minto Group, can you give us any colour on how you think that might benefit the REIT over the next 12 months, whether that's acquisition opportunities or things like access to a larger platform for market intelligence?

Michael Waters — President & Chief Executive Officer, Minto Apartment REIT

Well certainly on the growth perspective, you know, the REIT has seen or benefitted from several large acquisitions from the Minto pipeline. Amongst those, Leslie/York Mills, High Park being two notable examples. The opportunity at Fifth + Bank, which we talked about earlier in this presentation, Julie gave an update on that, is another example. I foresee that we'll continue to see those opportunities being presented to the REIT to help the REIT in its growth trajectory.

Of course, Minto manages outside the REIT an almost equal number of suites and so we do gather a fair amount of market intelligence on the rental market side. Then as well on the development side as a developer in Ottawa and Toronto on the for-sale side of the business, Minto is also, I think, very well positioned to see opportunities come from development. And so those are, like I say, Fifth + Bank is one good example, but there may be others to come in the future.

Matt Logan — Analyst, RBC Capital Markets

I appreciate the commentary. That's all for me. I'll turn it back. Thank you.

Michael Waters — President & Chief Executive Officer, Minto Apartment REIT

Thanks, Matt.

Operator

Your next question comes from Jonathan Kelcher with TD Securities. Please go ahead.

Jonathan Kelcher — Analyst, TD Securities

Thanks. Good morning. Your occupancy dropped 50 basis points in April. Is some of that you guys holding units out for repositioning? Can you maybe give us a little colour on that drop?

Michael Waters — President & Chief Executive Officer, Minto Apartment REIT

So, there's a little bit of seasonality. I wouldn't say any of it is holding suites off for repositioning. I think we have maintained our traditional philosophy of, I would say, more of a NAV growth orientation than a full occupancy orientation. Because once the suite is rented, I mean we could fill the building to 100%, we'd grant incentives and drop pricing, but then we would lose the potential to realize the growth in rents as the market continues to rise. And so we've made a determined and purposeful decision, Jonathan, to maintain true to our principle, which was more of a NAV growth orientation. And so we expect to see occupancy move a little bit up and down, but our focus remains on being in a good position in Q2 to capture gains to lease as the leasing season picks up and particularly as we start to emerge from this crisis and the restrictions on physical distancing and other restrictions begin to loosen and people begin to think and move purposely towards leasing a new home.

Jonathan Kelcher — Analyst, TD Securities

Okay. So you'd be pretty comfortable, I guess, plus or minus 97%?

Michael Waters — President & Chief Executive Officer, Minto Apartment REIT

I mean from our perspective that's actually very high occupancy. We traditionally would have run with, as a private company, with more vacancy, simply because we wanted the ability to continue to drive value in the properties by maintaining rate, even where it meant there was, at the expense of some vacancy, whether that was through a renovation program or through a seasonal leasing sort of approach.

Typically, going into Q2, especially early part of Q2, we're quite happy to have a little bit of extra vacancy, because we know through the quarter, as leasing picks up, that we'll be able to generate increased rents as that leasing lead traffic picks up. Going into Q4 is the opposite. We want to make sure that we're relatively more occupied than at the very beginning of the season, simply because as you go into late Q4 and early Q1 lead traffic and movements by people tends to drop seasonally.

Jonathan Kelcher — Analyst, TD Securities

Okay. And then my second question is just on the mark to market. I guess that 13.5% would be as of March 31st, but you only did 6% in April. If you had to recast those March 31st numbers, where would they end up?

Michael Waters — President & Chief Executive Officer, Minto Apartment REIT

It's tricky, because April was such a small sample size. It was 117 leases. And that gap to market is so dependent on which tenancies are turning over in which properties and what your mix of turnover was property to property, geography by geography. So Jonathan, I think it's a little too early to say. I think we need another couple of months of data. We'd like to see the full quarter before we would publish a new estimate of the gain-to-lease potential. I think we're going to see May and June, we'll see a lot more traffic, we'll see a lot more data, and that will give us a much better sense sort of what that gain-to-lease potential is. I think 117 suites in the month of April with chaos going on in the world around, there's too much noise in that for us to make any realistic updates to our estimates.

Jonathan Kelcher — Analyst, TD Securities

Okay. Thanks for the colour. I'll turn it back.

Michael Waters — President & Chief Executive Officer, Minto Apartment REIT

Thanks, Jonathan.

Operator

Your next question comes from Brendon Abrams with Canaccord Genuity. Please go ahead.

Brendon Abrams — Analyst, Canaccord Genuity

Good morning. Maybe just turning to furnished suites, if you could provide some additional colour in terms of occupancy you've seen throughout April and whether this would be materially different than either Q1 or April of 2019? And then secondly, what scenario would need to occur before you start moving furnished suites to the unfurnished pool?

Michael Waters — President & Chief Executive Officer, Minto Apartment REIT

Good question. Furnished suites is quite seasonal and it doesn't follow, necessarily, the same seasonality as you see for unfurnished suites, and that seasonality is typically market specific and property specific. And so we would normally expect to see a fair bit more volatility in the furnished suite business. Certainly, as COVID has impacted business travel and relocations. That certainly would have an impact on our portfolio overall.

I think certain properties like 61 Yorkville, where we have furnished suites, very much impacted by, for example, change in the movie business. But then in other markets, other properties, one80five in Ottawa, for example, sees a lot more government business and actually saw a pulse of business coming from government re-los related to staff being repositioned overseas back to Canada. And so it's really hard to say and one month of data is not really enough data to make a judgment.

But I think what we would continue to see here is that furnished suites remains accretive to the unfurnished rental rate. I expect that we may continue, and you did see in our data that we trimmed our furnished suite inventory slightly. That may continue, depending on market conditions. It's relatively easy for us to convert furnished to unfurnished and unfurnished back to furnished and so we'll continue to trim and/or add to our furnished suite inventory as market conditions and demand dictate.

Brendon Abrams — Analyst, Canaccord Genuity

Okay. That's good colour. And just in terms of Alberta, I know it's a very small percentage of the portfolio and only 117 total leases for the whole portfolio were signed in April, but any indication in terms of leasing spreads for April in that province? I know for Q1 it was down only slightly, about 1%, but whether there's any material changes from that number for April.

Michael Waters — President & Chief Executive Officer, Minto Apartment REIT

Yeah, so we didn't have many leases in Alberta. We had 26. and the gain-to-lease on that was negative 7.7%. So I think it was impacted by COVID for sure and that came out in the leases that we did sign.

Brendon Abrams — Analyst, Canaccord Genuity

Okay. That's great. I'll turn it over. Thank you.

Michael Waters — President & Chief Executive Officer, Minto Apartment REIT

Great. Thanks, Brendon.

Operator

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

Troy MacLean — Analyst, BMO Capital Markets

Good morning. I just wanted to follow up in Alberta. Are you seeing downward pressure on rents coming from other apartment landlords or is it the condo market that is being the most aggressive with lowering rents or offering incentives?

Michael Waters — President & Chief Executive Officer, Minto Apartment REIT

Good question. I think it's pretty much overall. And I mean what we probably monitor most closely are other landlords, but certainly you're seeing that, I think, across the board in Alberta.

Troy MacLean — Analyst, BMO Capital Markets

And then just on acquisitions, does the current uncertainty change how you would look at an acquisition? Would you require like a higher going-in yield or be less willing to pay for growth over time? Or is it just you think this is a pause and then the market goes back to normal and your underwriting assumptions or criteria wouldn't necessarily change?

Michael Waters — President & Chief Executive Officer, Minto Apartment REIT

So it's a good question. I mean right now I think that all acquisitions are on hold, and not just by Minto Apartment REIT. I think that we've seen deals that were on the market prior to the outbreak of the crisis be pulled off the market or put on pause. Vendors are waiting to see how this crisis unfolds. And I expect that we won't see any live opportunities being taken to market, either by brokerage firms or off-market deals, for at least another 90 days. And I think that hampering that is sort of the inability to travel, conduct diligence, engage consultants, and the market uncertainty that you're talking about. But beyond that, I would be very surprised if we saw fire sales or discounts on stabilized multi-res properties in major markets. My experience has been, you know, 2014, 2015 in Calgary, for example, we just didn't see stuff come to market at fire sale prices.

So I think those that are looking to acquire are going to have to get themselves comfortable with market conditions and the uncertainty that's there, because I don't see threshold returns dropping materially. So I think it's probably a little too early to say, because we haven't seen any deals come post-COVID. A lot of deals that have closed post-COVID were firmed up or negotiated pre the outbreak of the crisis, so there aren't really any good data points at this stage. And I think as that transaction market starts to resume in maybe September, you know, we'll obviously continue to monitor. We're monitoring several deals right now. We're underwriting, but obviously we're unable to proceed because the deals are on hold. I think, subject to prudently managing cash flow risk, we'll be active in the market. But we've always been cautious about acquisitions. I think probably now more than ever, probably an added note of caution injected, Troy, to evaluating deals.

Troy MacLean — Analyst, BMO Capital Markets

And then just my final question: Do you know how much of your tenant base are students?

Michael Waters — President & Chief Executive Officer, Minto Apartment REIT

No. I mean we don't. We collect a lot of data when someone is applying for a lease. Obviously, we collect income data, employment data, we know how many people are going to be living in the suite, we do credit checks and other things, but there is no ongoing reporting obligation beyond that point. We don't know definitively at any one point in time how many students we have in the portfolio just because it changes after someone has moved in and there's no ongoing reporting obligations.

So I can say that, anecdotally, we know that some buildings tend to attract students because of their location close to campuses and we typically, in those cases, require co-signers, typically mom and dad co-sign the lease, and so typically a student lease has actually got lower collection risk typically because mom and dad are on the hook and the student, often a younger person with seasonal employment, is not qualifying for the lease on their own. We're looking to parents or other co-signers.

Troy MacLean — Analyst, BMO Capital Markets

Thank you. That's good colour. I'll turn it back.

Michael Waters — President & Chief Executive Officer, Minto Apartment REIT

Thanks, Troy.

Operator

Your next question comes from Brad Sturges with IA Securities. Please go ahead.

Brad Sturges — Analyst, IA Securities

Hi there. From Minto's perspective, how do you think COVID-19 impacts the condo market? And I'm thinking more towards like the shadow condo rental market. Do you see maybe greater softness or a bigger challenge within the condo market from that perspective?

Michael Waters — President & Chief Executive Officer, Minto Apartment REIT

That's a good question. I mean I think it's still very early to say. I mean we're really sort of six, eight weeks into this. Certainly there have been anecdotal stories of condo investors who have been using Airbnb and other sort of platforms for very short-term rentals, you know, been in distress and some of them converting those suites over to long-term rentals.

I think that it's still probably too early in the process to say what the impact of that might be, but we know that a lot of condos, particularly in large markets, Toronto specifically, are being purchased by investors. Their intent is to lease them up. They often manage them themselves. They often manage, even pre-crisis, on kind of like a cash-neutral or even in some cases subsidized basis. They're not looking at their investment and their yield management in a way a larger landlord might. And so I think it's probably conjecture, but at this point I think there's just, you know, I think there may be some expectation that we'll see some changes. But I think at this point, it's probably a little too early to say, Brad, how we're going to see that react.

We do price our inventory every week in every building and we do that by looking at kind of what the immediate competitive subset is doing from a rent perspective. And that is very fluid and so when we're looking at our subset it would include other purpose-built rentals and it would include condo buildings and so we are tracking that very closely. But I also just want to point out it's not that long ago, in early March in Toronto, we were talking about a housing affordability crisis. So I just don't know if the market adjusts that quickly. And so I think we need a little bit more time really to see where that's going to go.

Brad Sturges — Analyst, IA Securities

That's good colour. And I guess, for the time being, you see the best use of incremental capital, you know, restarting the renovation program given the returns you've been able to generate so far.

Michael Waters — President & Chief Executive Officer, Minto Apartment REIT

From our perspective, from a risk-return valuation perspective, I mean renovations are just, they're at the top of the heap simply because we have very, very clear visibility in our costs. We have very clear visibility on what we can achieve from a rental perspective. Often it's firsthand evidence from a similar suite that we rented earlier in the month. So we have a very clear line of sight and visibility on what the returns are.

The other reason we like it is that in a renovation program you're metering out your capital in very small increments, somewhere between $30,000 and $45,000 per suite. We're not talking about millions and millions of dollars being committed in one fell swoop. You can sort of throttle back and step on the gas on a renovation program as circumstances dictate and as your rental results sort of merit. So we like that from that perspective. It obviously makes an immediate impact as we are leasing those suites post renovation and so, from our perspective, it remains probably our top priority.

Brad Sturges — Analyst, IA Securities

Okay. I guess the Edmonton properties that were under renovation, that might be on hold for now given the change in the market conditions there?

Michael Waters — President & Chief Executive Officer, Minto Apartment REIT

Yeah. 100%. And that's just an example where you can see what renovated suites are leasing for and as the market changes and that renovated suite rate changes, you can throttle back or stop entirely your renovation program and that's what we've done in Edmonton.

Brad Sturges — Analyst, IA Securities

Okay. Great. Thank you.

Michael Waters — President & Chief Executive Officer, Minto Apartment REIT

Thanks, Brad.

Operator

Your next question comes from Matt Kornack with National Bank Financial. Please go ahead.

Matt Kornack — Analyst, National Bank Financial

Hi guys. You've done very well on collections and there have been limited deferrals, but I was wondering if you can maybe speak to if there's any demographic distinction or rent distinction in terms of who's asking for aid. Is it on lower or more affordable rents or higher, less affordable rents? Or is it just across the board?

Michael Waters — President & Chief Executive Officer, Minto Apartment REIT

Yeah, it's a good question. We did try and look for patterns in it, but I'll say it's pretty much across the board, all properties and suite sizes, so there wasn't a discernible pattern by property, by market. And for what we know of demographics for different buildings. So I think there wasn't anything in there that said, you know, $4 a month rent was more likely or less likely to seek a rent deferral than $3 a foot rent. So I just don't think there was any discernible pattern at this point. It was pretty much even across the board.

Matt Kornack — Analyst, National Bank Financial

And as you look at leasing over the next few months, you've got a program in place on the federal government side that's providing subsidies to tenants, but there's also a moratorium on evictions and rent increases are frozen on renewals. How do you think of this when we get past that period, A, on evictions and in terms of non-payment of rent once we're in a period of opening, because presumably jobs will take a little bit of time to come back, but at the same time, you're sitting on below-market rents in a lot of these properties and suites. So just kind of wondering, maybe not in the next four months, but beyond that, how you start to think of things.

Michael Waters — President & Chief Executive Officer, Minto Apartment REIT

So, I think as far as federal rent support, I think you're making reference to the more income supports for unemployed.

Matt Kornack — Analyst, National Bank Financial

Right. For employment benefit, yes.

Michael Waters — President & Chief Executive Officer, Minto Apartment REIT

Yeah. Okay. Of course, BC and PEI have implemented residential rental supplement programs and we don't have any firsthand exposure to those. But we have seen the federal income supplements, whether it was amendments to the EI program or CERB that really helped, I think, a lot of those who were thrown out of work unexpectedly with their monthly expenses. That program runs, I think, was temporary until July. I think there was some reports yesterday from the federal government that sort of hinting that those programs might be extended. We'll have to wait and see on that. I think the government is looking to see how the economy is responding as we see gradual reopening of, here in Ontario, non-essential businesses, people getting back to work, albeit in a disjointed and probably not optimal manner, but non-essential retailers, for example, allowed now to do curbside and things like that.

I think that, as you pointed out, we did implement across-the-board freezes on rent increases for April 1, May 1, and June 1. We'll continue to evaluate that. That's for renewals of course. I think that we're watching the market. I was pleased with the number of leases that we did generate in April and that is with what were initially sort of clunky kind of contactless leasing procedures as we were hurriedly adapting or adopting new processes to do that. I think as the market gets more and more used to contactless leasing and tenants begin to venture out of their homes and begin to make leasing decisions and more comfortable with shopping virtually and as operators like Minto Apartment REIT get better and better at adapting to that, I suspect that we'll see a pickup in leads and leasing volumes. And I think that, you know, I’m optimistic that we’ll continue to be able to generate gain-to-lease on those new leases. But I think it’s still very early to say.

I mean many, many of our buildings are occupied by professionals who, while they’re not working from their office, continue to work from home, they continue to be employed, and they continue, as you can see, to make their rent payments. So I’m quite optimistic about this, Matt, but I think we still need a little bit more time to see how the economy reopens and how that begins to impact leasing behaviours.

Matt Kornack — Analyst, National Bank Financial

Fair enough. And on the financing side, have you seen any change in CMHC underwriting? Obviously, there was a quick period where CMB spreads blew out, but I think they’ve come back in and all-in financing rates are very attractive, but is there any limitation in terms of what they’re looking at on value or are they kind of still operating under the same assumptions as they were before?

Julie Morin — Chief Financial Officer, Minto Apartment REIT

I think they’re largely working under the same assumptions. To your point, I think we’ve seen an increase in spreads. Certainly where we were seeing spreads at 50 to 60 basis points, we’re now seeing quotes of 100 basis points or more today. But having said that, I still think you can get financing to sub-2% in this environment, especially for five-year term. I think ten-year money is a little bit harder, but we’re in the process of getting CMHC insurance on our one80five property and, to your point, it’s been pretty much business as usual.

Matt Kornack — Analyst, National Bank Financial

And do you—you have one other mortgage maturity or maybe a few mortgage maturities this year? Or have you dealt with those at this point or at least early (inaudible)?

Julie Morin — Chief Financial Officer, Minto Apartment REIT

We have Kaleidoscope coming up June 1st and that's well advanced as well. So, no, nothing else for 2020.

Michael Waters — President & Chief Executive Officer, Minto Apartment REIT

And that's pretty small. It's only $12 million.

Julie Morin — Chief Financial Officer, Minto Apartment REIT

Yeah, it's $12 million only, exactly.

Matt Kornack — Analyst, National Bank Financial

Okay, perfect. Thanks, guys.

Michael Waters — President & Chief Executive Officer, Minto Apartment REIT

Thanks, Matt.

Operator

Ladies and gentlemen, as a reminder, should you have any questions, please press star one.

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

Michael Waters — President & Chief Executive Officer, Minto Apartment REIT

Okay. Thanks, Pam. That concludes our call this morning. Thank you for joining us and for your interest in Minto Apartment REIT. We look forward to speaking with you again later in the summer after we report our second quarter financial results. In the meantime, we wish you all good health. Please stay safe. And we'll talk to you all very soon.

Operator

Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and ask that you please disconnect your lines. Have a great day.