August 10, 2022
Halifax, Nova Scotia

KILLAM APARTMENT REIT ANNOUNCES Q2-2022 OPERATING PERFORMANCE AND FINANCIAL RESULTS

Killam Apartment REIT (TSX: KMP.UN) ("Killam" or the "REIT") today reported its results for the three and six months ended June 30, 2022.

"Killam delivered strong and resilient operating results in the second quarter," noted Philip Fraser, President and CEO. "Revenue growth remains robust, up 5.2% for our same property portfolio, generated by a 140 bps increase in occupancy and a 3.3% increase in rental rates. Although inflationary headwinds persist, overall same property operating expenses increased by 2.8% in the second quarter. We are pleased to report same property NOI growth of 6.6% in Q2 and 4.8% for the first half of the year."

"The Kay, our 128 unit development in Mississauga, ON reached substantial completion during the quarter and is fully leased today. This development, along with two others completed this year, are exceptional additions to Killam's portfolio and are expected to contribute positively to earnings growth in 2022 and 2023. In addition, Killam continues to make progress on our development projects underway, including The Carrick, which broke ground in Q2 and is expected to take 32 months to complete."

Q2-2022 Financial & Operating Highlights

- Reported net income of $68.7 million, a decrease of $68.0 million compared to $136.7 million in Q2-2021. The decrease in net income is primarily attributable to $134.1 million of fair value gains on investment properties earned in Q2-2021, compared to $27.6 million in the current period, a difference of $106.5 million.
- Generated net operating income (NOI) of $51.7 million, a 15.9% increase from $44.6 million in Q2-2021.
- Earned funds from operations (FFO) per unit (diluted) of $0.28, an 3.7% increase from $0.27 in Q2-2021.[1]
- Increased adjusted funds from operations (AFFO) per unit (diluted) by 4.3% to $0.24, from $0.23 in Q2-2021, and reduced the first quarter AFFO payout ratio (diluted) by 300 bps to 72%, from 75% in Q2-2021.[1]
- Achieved a 5.2% increase in revenue for the same property portfolio.
- Generated same property NOI growth of 6.6% over Q2-2021.[2]

[1] FFO and AFFO are non-International Financial Reporting Standards (IFRS) measures that do not have a standardized meaning according to IFRS and, therefore, may not be comparable to similar measures presented by other companies. For information regarding non-IFRS measures, including reconciliations to the most comparable IFRS measure, see "non-IFRS Measures".
[2] Same property NOI is a supplementary financial measure. An explanation of the composition of this measure can be found on page 5 of this press release under "Supplementary Financial Measures".

(000's)	Three months ended June 30, **2022**	2021	Change	Six months ended June 30, **2022**	2021	Change
Property revenue	**$81,548**	$70,300	16.0%	**$159,012**	$137,674	15.5%
Net operating income	**$51,685**	$44,596	15.9%	**$96,948**	$84,859	14.2%
Net income	**$68,716**	$136,672	(49.7)%	**$128,743**	$164,094	(21.5)%
FFO (1)	**$34,078**	$29,369	16.0%	**$62,741**	$54,475	15.2%
FFO per unit (diluted) (1)	**$0.28**	$0.27	3.7%	**$0.53**	$0.50	6.0%
AFFO per unit (diluted) (1)	**$0.24**	$0.23	4.3%	**$0.44**	$0.42	4.8%
AFFO payout ratio – diluted (1)	**72%**	75%	(300) bps	**79%**	82%	(300) bps
AFFO payout ratio – rolling 12 months(1)	**75%**	80%	(500) bps			
Same property apartment occupancy (2)	**98.0%**	96.6%	140 bps			
Same property revenue growth	**5.2%**			**5.2%**		
Same property NOI growth	**6.6%**			**4.8%**		

(1) FFO and AFFO are defined in "non-IFRS Measures." A reconciliation between net income and FFO and a reconciliation from FFO to AFFO are included on page 6 of this press release under "Non-IFRS Reconciliation".

(2) Same property apartment occupancy is a supplementary financial measure. An explanation of the composition of this measure can be found on page 5 of this press release under "Supplementary Financial Measures".

(3) Same property revenue is a supplementary financial measure. An explanation of the composition of this measure can be found on page 5 of this press release under "Supplementary Financial Measures".

Debt Metrics as at	**June 30, 2022**	December 31, 2021	Change
Debt to total assets	**44.3%**	45.0%	(70) bps
Weighted average mortgage interest rate	**2.63%**	2.58%	5 bps
Weighted average years to debt maturity	**4.2**	4.0	0.2 years
Interest coverage ratio(1)	**3.51x**	3.53x	(0.6)%

(1) Interest coverage ratio is a non-IFRS ratio. An explanation of the composition of this measure can be found under "Supplementary Financial Measures".

Summary of Q2-2022 Results and Operations

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Earned Net Income of $68.7 Million

Killam earned net income of $68.7 million in Q2-2022, compared to $136.7 million in Q2-2021. The decrease in net income is due to fair value gains on investment properties earned in Q2-2021 of $134.1 million, compared to $27.6 million in the current period, a difference of $106.5 million. This is offset by revenue growth of $11.2 million in the quarter, compared to the same period in 2021, which is attributable to acquisitions, completed developments, and increased earnings from the existing portfolio.

Delivered 3.7% FFO per Unit Growth and 4.3% AFFO per Unit Growth

Killam generated FFO per unit of $0.28 in Q2-2022, a 3.7% increase from $0.27 per unit in Q2-2021. AFFO per unit increased 4.3% to $0.24, compared to $0.23 in Q2-2021. The growth in FFO and AFFO was attributable to increased NOI from Killam's same property portfolio and incremental contributions from acquisitions totalling over $400 million in since April 1, 2021. This growth was partially offset by a 9.1% increase in the weighted average number of trust units outstanding.

Revenue Growth Supports Same Property NOI Growth of 6.6%

Killam achieved 6.6% growth in same property NOI during the quarter. This improvement was driven by 5.2% growth in revenue, partially offset by a 2.8% increase in operating expenses. A 3.3% increase in apartment rents coupled with a 140 bps increase in same property apartment occupancy drove overall revenue growth. Operating expenses increased due to higher natural gas pricing across Killam's core markets and general operating expenses increased by 2.1%. The increase in expenses was offset by a 0.8% decrease in property taxes during the quarter. This decline was primarily attributable to a 10% cap on property assessments in New Brunswick in 2022 and a reduction in regional mill rates.

Completed Acquisitions and Continued Advancement of Development Pipeline
The Kay, a 128-unit development located in Mississauga, ON, opened to tenants on April 1, 2022 and is currently fully leased. Overall, this asset generated $12.5 million in fair value gains since the project began in 2019 and is expected to contribute $2.6 million in NOI annually. Killam continues to advance its development pipeline, and had four developments underway totalling 488 units as at June 30, 2022. Killam's ownership interest represents 404 units for an expected total development cost of $225.5 million. During the second quarter, Killam invested $43.4 million in its active development projects, the majority of which was funded through construction financing.

Stable Property Values as Rent Growth Offsets Higher Expenses
Killam recorded $27.6 million in fair value gains related to its investment properties in Q2-2022. The gains were supported by NOI growth driven by strong apartment fundamentals as well as a reduction in the property tax mill rates in New Brunswick. Killam's weighted average cap-rate for its apartment portfolio as at June 30, 2022, was 4.38%, a 3 bps decrease from the weighted average cap-rate at March 31, 2022.

Rising Interest Rates
Killam's maturity dates on mortgages are staggered to manage interest rate risk. During Q2-2022, Killam refinanced $68.8 million of maturing mortgages with $91.1 million of new debt, the majority of which were for 10-year terms at a weighted average interest rate of 3.48%, 89 bps higher than the maturing debt (average interest rate of 2.59%).

ESG Update
During Q2-2022, Killam completed its 2021 GRESB submission. Killam achieved a 5.6% reduction in like-for-like energy consumption and an 8.6% reduction in GHG intensity (tCO2e per square foot) in 2021, compared to 2020. As of June 30, 2022, Killam had 12 photovoltaic (PV) solar arrays producing power, with an expected 1,288 MWh of annual energy production. PV solar arrays, along with geothermal heating and cooling systems at Killam’s new developments, illustrate Killam’s ongoing commitment to lower its carbon footprint. Killam's 2021 ESG report can be accessed on its website at https://killamreit.com/esg and summarizes Killam's commitment to creating and maintaining sustainable communities, and details its progress and future plans to achieve its long-term targets.

Q2 2022 Acquisitions

Killam invested $86.8 million in acquisitions during the quarter, which include:

<u>1358 Hollis Street, Halifax, NS</u>
On April 6, 2022, Killam acquired 1358 Hollis Street, a 27-unit building located adjacent to other Killam properties in downtown Halifax, for $6.2 million ($230,000 per unit). This property has a mix of bachelor, one and two bedroom units at an average monthly rent of $1,040 and is 100% leased.

<u>671 Woolwich St, Guelph, ON</u>
On April 29, 2022, Killam purchased 671 and 665 Woolwich Street for $25.0 million ($250,000 per unit and $4.0 million for land) in Guelph, Ontario. 671 Woolwich Street is a 12-storey, 84-unit concrete building that contains a mix of one, two and three bedroom units. The average monthly rent is $1,218 and it is currently 96% leased. 665 Woolwich is development land adjacent to the apartment building zoned for a potential 10-storey and 100 to 150-unit development.

<u>621 Crown Isle Blvd, Courtenay, BC</u>
On May 18, 2022, Killam purchased a newly constructed apartment building in Courtenay, BC. The property at 621 Crown Isle Boulevard (“The Residences”) is a four-storey building containing 56 units and was purchased for $21.9 million.

1876 & 1849 Riverside Lane, Courtenay, BC

On May 18, 2022, Killam purchased an additional newly constructed property in Courtenay, BC. The properties at 1849 & 1876 Riverside ("The Shores") contain 94 units and were purchased for $33.7 million. The Shores comprise two four-storey wood-framed apartment buildings conveniently located in downtown Courtenay, in close proximity to desirable amenities.

Subsequent to quarter-end, Killam acquired a 99-site manufactured home community (MHC) park in Amherst, NS for $2.5 million on July 4, 2022.

Financial Statements

Killam's condensed consolidated interim Financial Statements and Management's Discussion and Analysis for the six and three months ended June 30, 2022, are posted under Financial Reports in the Investor Relations section of Killam's website at www.killamreit.com and are available on SEDAR at www.sedar.com. Readers are directed to these documents for financial details and a discussion of Killam's results.

Results Conference Call

Management will host a webcast and conference call to discuss these results and current business initiatives on Thursday, August 11, 2022, at 10:00 AM eastern time. The webcast will be accessible on Killam's website at the following link: http://www.killamreit.com/investor-relations/events-and-presentations. A replay will be available for 7 days after the webcast at the same link.

The dial-in numbers for the conference call are as follows:
North America (toll free): 1-888-664-6392
Overseas or local (Toronto): 1-416-764-8659

Profile

Killam Apartment REIT, based in Halifax, Nova Scotia, is one of Canada's largest residential real estate investment trusts, owning, operating, managing and developing a $4.8 billion portfolio of apartments and manufactured home communities. Killam's strategy to enhance value and profitability focuses on three priorities: 1) increasing earnings from existing operations, 2) expanding the portfolio and diversifying geographically through accretive acquisitions, with an emphasis on newer properties, and 3) developing high-quality properties in its core markets.

Non-International Financial Reporting Standards (IFRS) Measures

Management believes the following non-IFRS financial measures, ratios and supplementary information are relevant measures of the ability of Killam to earn revenue and to evaluate Killam's financial performance. Non-IFRS measures should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS, as indicators of Killam's performance, or sustainability of Killam's distributions. These measures do not have standardized meanings under IFRS and, therefore, may not be comparable to similarly titled measures presented by other publicly traded organizations.

- Funds from operations (FFO) is a non-IFRS financial measure of operating performance widely used by the Canadian real estate industry based on the definition set forth by REALPAC. FFO, and applicable per unit amounts, are calculated by Killam as net income adjusted for fair value gains (losses), interest expense related to exchangeable units, gains (losses) on disposition, deferred tax expense (recovery), unrealized gains (losses) on derivative liability, internal commercial leasing costs, depreciation on an owner-occupied building, interest expense related to lease liabilities, and non-controlling interest. FFO is calculated in accordance with the REALPAC definition. A reconciliation between net income and FFO is included below.
- Adjusted funds from operations (AFFO) is a non-IFRS financial measure of operating performance widely used by the Canadian real estate industry based on the definition set forth by REALPAC. AFFO, and applicable per unit amounts and payout ratios, are calculated by Killam as FFO less an allowance for maintenance capital expenditures ("capex") (a three-year rolling historical average capital investment to maintain and sustain Killam's

properties), commercial leasing costs and straight-line commercial rents. AFFO is calculated in accordance with the REALPAC definition. Management considers AFFO an earnings metric. A reconciliation from FFO to AFFO is included below.

- Per unit calculations are calculated using the applicable non-IFRS financial measures noted above, i.e. FFO, AFFO and/or adjusted cash flow from operations (ACFO), divided by the basic or diluted number of units outstanding at the end of the relevant period.
- Interest coverage is calculated by dividing normalized adjusted earnings before interest, tax, depreciation and amortization (adjusted EBITDA) by mortgage, loan and construction loan interest and interest on credit facilities. Normalized adjusted EBITDA is calculated by Killam as adjusted EBITDA that has been normalized for a full year of stabilized earnings from recently completed acquisitions and developments, on a forward-looking basis.

Supplementary Financial Measures

- Same property NOI is a supplementary financial measure defined as NOI for stabilized properties that Killam has owned for equivalent periods in 2022 and 2021. Similarly, same property revenue is a supplementary financial measure defined as revenue for stabilized properties that Killam has owned for equivalent periods in 2022 and 2021. Same property apartment occupancy is a supplemental financial measure defined as actual residential rental revenue, net of vacancy, as a percentage of gross potential residential rent for stabilized properties that Killam has owned for equivalent periods in 2022 and 2021. Same property results represent 91% of the fair value of Killam's investment property portfolio as at June 30, 2022. Excluded from same property results in 2022 are acquisitions, dispositions and developments completed in 2021 and 2022, and non-stabilized commercial properties linked to development projects.

Non-IFRS Reconciliation (in thousands, except per unit amounts)

Reconciliation of Net Income to FFO	*Three months ended June 30,*		*Six months ended June 30,*	
	2022	2021	**2022**	2021
Net income	**$68,716**	$136,672	**$128,743**	$164,094
Fair value adjustments	**(45,573)**	(126,614)	**(83,334)**	(134,470)
Non-controlling interest	**(4)**	(3)	**(8)**	(5)
Internal commercial leasing costs	**75**	52	**150**	103
Deferred tax expense	**10,193**	18,587	**15,896**	23,387
Interest expense on exchangeable units	**701**	681	**1,402**	1,378
Unrealized gain on derivative liability	**(62)**	(40)	**(170)**	(80)
Depreciation on owner-occupied building	**26**	27	**51**	54
Change in principal related to lease liabilities	**6**	7	**11**	14
FFO	**$34,078**	$29,369	**$62,741**	$54,475
FFO per unit – diluted	**$0.28**	$0.27	**$0.53**	$0.50

Reconciliation of FFO to AFFO	*Three months ended June 30,*		*Six months ended June 30,*	
	2022	2021	**2022**	2021
FFO	**$34,078**	$29,369	**$62,741**	$54,475
Maintenance capital expenditures	**(4,819)**	(4,400)	**(9,552)**	(8,768)
Commercial straight-line rent adjustment	**(27)**	(78)	**(140)**	(251)
Internal commercial leasing costs	**(230)**	(117)	**(309)**	(196)
AFFO	**$29,002**	$24,774	**$52,740**	$45,260
AFFO per unit – basic	**$0.24**	$0.23	**$0.44**	$0.42
AFFO per unit – diluted	**$0.24**	$0.23	**$0.44**	$0.42
AFFO payout ratio – diluted	**72%**	75%	**79%**	82%
AFFO payout ratio – rolling 12 months (1)	**75%**	80%		
Weighted average number of units – basic (000s)	**119,765**	109,770	**118,688**	108,634
Weighted average number of units – diluted (000s)	**119,938**	109,929	**118,858**	108,794

(1) Based on Killam's annual distribution of $0.69166 for the 12-month period ended June 30, 2022, and $0.68004 for the 12-month period ended June 30, 2021.

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Note: The Toronto Stock Exchange has neither approved nor disapproved of the information contained herein. Certain statements in this press release may constitute forward-looking statements. In some cases, forward-looking statements can be identified by the use of words such as "may," "will," "should," "expect," "plan," "anticipate," "believe," "commit," "estimate," "potential," "continue," "remain," "forecast," "opportunity," "future" or the negative of these terms or other comparable terminology, and by discussions of strategies that involve risks and uncertainties. Such forward-looking statements may include, among other things, statements regarding: market *fundamentals and regional economies in Killam's markets; the effects of acquisitions and development projects on Killam's earnings and financial condition and the timing thereof ; the completion, costs, capacity, total investment and timing of development projects and acquisitions; annual FFO and certain properties' contributions thereto; Killam's commitment to reducing its environmental impact; the ability of Killam's development program to deliver anticipated portfolio growth; geographical diversification of our portfolio and its impact on our business strategy; the advancement of Killam's development pipeline; Killam's commitment to sustainability and ESG and related targets; Killam's priorities; and interest rates.*

Readers should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those anticipated or implied, or those suggested by any forward-looking statements, including: the effects, duration and government responses to the COVID-19 pandemic and the effectiveness of measures intended to mitigate the impact of COVID-19 and any variants thereof, including vaccines; competition; national and regional economic conditions and the availability of capital to fund further investments in Killam's business. For more exhaustive information on these risks and uncertainties, readers should refer to Killam's most recently filed annual information form, as well as Killam's most recently filed MD&A, each of which are available at www.sedar.com. Given these uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements contained in this press release.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events may not occur. Although Management believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that future results, levels of activity, performance or achievements will occur as anticipated. Further, a forward-looking statement speaks only as of the date on which such statement is made and should not be relied upon as of any other date. While Killam anticipates that subsequent events and developments may cause Killam's views to change, Killam does not intend to update or revise any forward-looking statement, whether as a result of new information, future events, circumstances, or such other factors that affect this information, except as required by law. The forward-looking statements in this press release are provided for the limited purpose of enabling current and potential investors to evaluate an investment in Killam. Readers are cautioned that such statements may not be appropriate and should not be used for any other purpose. The forward-looking statements contained in this press release are expressly qualified by this cautionary statement.