



August 5, 2020
Halifax, Nova Scotia

KILLAM APARTMENT REIT ANNOUNCES Q2-2020 OPERATING PERFORMANCE AND FINANCIAL RESULTS

Killam Apartment REIT (TSX: KMP.UN) ("Killam") today reported its results for the three and six months ended June 30, 2020.

"We are pleased to report solid operating and financial results for the second quarter of 2020. Despite COVID-19 related challenges in the quarter, our team performed exceptionally well, keeping Killam's tenants and employees safe and adapting to the changing environment" noted Philip Fraser, President and CEO.

"In late July we closed a \$69 million equity offering and repaid Killam's outstanding line of credit, continuing to reduce the debt on our balance sheet. This equity provides us with additional capital flexibility and increases our acquisition capacity to over \$200 million. We are well positioned for growth, and with active development and acquisition pipelines, we expect to continue to execute on our strategy of developing high-quality properties, expanding the portfolio and diversifying geographically."

Q2-2020 Financial & Operating Highlights

- Reported net income of \$21.5 million, a decrease of \$61.3 million compared to \$82.8 million in Q2-2019, due to higher fair value gains on investment properties recognized in Q2-2019.
- Generated net operating income ("NOI") of \$41.5 million, a 10.7% increase from \$37.5 million in Q2-2019.
- Earned funds from operations ("FFO") per unit (diluted) of \$0.26, a 4.0% increase from Q2-2019.
- Increased adjusted funds from operations ("AFFO") per unit (diluted) by 10.0% to \$0.22, compared to \$0.20 in Q2-2019, and reduced the AFFO payout ratio 200 basis points (bps) to 79%, from 81% in Q2-2019.
- Achieved a 1.6% increase in property revenue for same property portfolios.
- Generated same property NOI growth of 2.7% over Q2-2019 and increased the NOI margin by 70 bps to 64.5%.

(000's)	Three months ended June 30,			Six months ended June 30,		
	2020	2019	Change	2020	2019	Change
Property revenue	\$64,899	\$59,198	9.6 %	\$128,193	\$116,384	10.1 %
Net operating income	\$41,516	\$37,510	10.7 %	\$79,565	\$71,055	12.0 %
Net income	\$21,509	\$82,789	(74.0 %)	\$60,011	\$109,880	(45.4 %)
FFO ⁽¹⁾	\$26,617	\$23,752	12.1 %	\$49,630	\$42,641	16.4 %
FFO per unit (diluted) ⁽¹⁾	\$0.26	\$0.25	4.0 %	\$0.48	\$0.45	6.7 %
AFFO per unit (diluted) ⁽¹⁾	\$0.22	\$0.20	10.0 %	\$0.40	\$0.36	11.1 %
AFFO payout ratio (diluted) ^{(1) (2)}	80 %	84 %	(400) bps			
Same property apartment occupancy ⁽³⁾	96.8 %	97.0 %	(20) bps			
Same property revenue growth	1.6 %			2.4 %		
Same property net operating income growth	2.7 %			4.2 %		

(1) FFO and AFFO are defined in "Non-IFRS Measures" below. A reconciliation between net income and FFO is included on page 23 of the Q2-2020 Management Discussion and Analysis. A reconciliation from FFO to AFFO is included on page 24 of the Q2-2020 Management Discussion and Analysis.

(2) AFFO payout ratio calculation is based on the rolling 12-month period.

(3) Occupancy represents actual residential rental revenue, net of vacancy, as a percentage of gross potential residential rent.

Debt Metrics As At	June 30, 2020	December 31, 2019	Change
Debt to total assets	45.3 %	43.4 %	190 bps
Weighted average mortgage interest rate	2.83 %	2.90 %	(7) bps
Weighted average years to debt maturity	4.6	4.5	0.1 years
Interest coverage ratio	3.29x	3.20x	2.8 %

Summary of Q2-2020 Results and Operations

Decline in Net Income Driven by Lower Fair Value Gains

Net income decreased by \$61.3 million in Q2-2020, compared to Q2-2019, as a result of lower fair value gains. In the second quarter of 2019, Killam recorded \$70.4 million of fair value gains on investment properties as a result of cap-rate compression in its MHC and Ontario portfolios, as well as increased NOI driven by strong rental rate growth. Fair value gains on investment properties in Q2-2020 were \$3.6 million, as modest fair value growth on the apartment portfolio was partially offset by a reduction in the valuation of Killam's commercial portfolio.

FFO per Unit Growth of 4.0% and AFFO per Unit Growth of 10.0%

Killam generated FFO per unit of \$0.26 in Q2-2020, 4.0% higher than the \$0.25 per unit generated in Q2-2019. FFO growth was attributable to increased NOI from strong same property performance and incremental contributions from recent acquisitions and completed developments. This growth was partially offset by a 7.1% increase in the weighted average number of units outstanding from Killam's \$114.4 million equity issuance in November 2019.

AFFO per unit increased 10.0% in Q2-2020 to \$0.22 compared to \$0.20 in Q2-2019. The increase in AFFO per unit is attributable to Killam's same property NOI growth, accretive acquisitions and developments, and the addition of newer, high-quality assets to the portfolio, which require lower maintenance capex.

COVID-19 Impacts Q2 Results

Due to the economic uncertainty facing many Canadians during the onset of the pandemic, Killam waived the collection of rental increases on lease renewals beginning with the April 2020 rental payment. The impact of

waiving rental increases, along with reduced revenue at its nine seasonal MHC resorts as a result of delayed openings, salary increases for front-line workers, participation in the Canada Emergency Commercial Rent Assistance (CECRA) program, increased costs associated with cleaning, and an increase in the provision for bad debt expense, management estimates an impact to NOI of approximately \$0.8 million related to COVID-19 in the second quarter.

Killam also delayed distribution of rental increase notices to tenants between March and May 2020. As the required notice period to increase rents is a minimum of three months in most provinces across Canada, Killam will not begin collecting rental increases pertaining to these notices until Q4-2020.

Same Property NOI Growth of 2.7%

Killam achieved 2.7% growth in same property consolidated NOI and a 70 bps improvement in its operating margin during the quarter. This improvement was driven by rental rate growth and modestly lower operating expenses. Operating expenses decreased 0.3%, as higher property tax and general operating expenses were more than offset by a reduction in utility costs, namely lower unit electricity and a decrease in natural gas pricing. Killam's same property apartment NOI increased 3.0% during the second quarter, with New Brunswick and Halifax leading the growth (5.9% and 5.6%).

Rental Rate Growth on Turns

Same property rental rates were up 2.9% as at June 30, 2020, versus June 30, 2019. Despite the current economic environment, demand remains strong for units on turnover with Killam achieving 5.9% rental rate growth on unit turns during Q2-2020. Overall, apartment revenue growth during the quarter was up 2.2%, as strong rental rate growth on turns was offset by the waiving of rental increases in response to the COVID-19 pandemic, a slight uptick in vacancy, and a reduction in revenue at Killam's seasonal resorts. Alberta, Halifax and New Brunswick led the apartment performance, achieving quarter-over-quarter same property apartment revenue increases of 3.5% in Alberta and 3.1% in both Halifax and New Brunswick.

Repositioning Program Continues to Generate Above Average Returns

During Q2-2020, Killam invested \$2.7 million in repositionings, completing 180 units. Year-to-date, Killam has completed 275 repositioned units. The average return on investment ("ROI") on unit repositionings completed during the quarter was approximately 13.0%, based on an average renovation cost of \$28,000 per unit. Repositioned units completed year-to-date are expected to generate approximately \$1.0 million in additional NOI on an annualized basis, and approximately \$20.1 million in Net Asset Value ("NAV") growth.

Completed \$60 million in Acquisitions Further Expanding into British Columbia Market

On April 30, 2020, Killam added 156 new apartment units to its BC portfolio. This was Killam's second apartment acquisition in the Greater Victoria market. Crossing at Belmont, located in Langford, BC, was acquired for \$60.0 million, with an all-cash yield of 4.35%. The property is in the lease-up stage and is currently 90% occupied.

Refinancing at Low Rates Contributed to Earnings Growth

Killam benefited from lower interest rates on mortgages refinanced in Q2-2020. During the quarter, Killam refinanced \$45.0 million of maturing mortgages with \$58.4 million of new debt at a weighted average interest rate of 1.88%, 42 bps lower than the weighted average rate of the maturing debt.

Killam's Rent Collection Remains Strong

Killam's rent collection experience in Q2-2020 remained strong. During the three months ended June 30, 2020, and for the month of July, Killam has collected the following contractual rents:

% Collected	Q2-2020	Jul-2020
Apartments	99.9%	99.3%
MHCs	99.1%	98.7%
Commercial	78.2%	84.6%
Total (weighted average)	98.6%	98.3%

Consistent with provincial directives, Killam worked with tenants who were financially impacted by COVID-19 during the quarter. Historically, Killam has had less than 0.4% of revenue uncollected, and management does not expect a material increase in rental defaults for the remainder of 2020. During Q2-2020, Killam offered a rent deferral program to assist residential tenants facing financial hardship due to COVID-19, working with residents on a case-by-case basis.

Killam is also working closely with commercial tenants to complete applications under the CECRA program. Killam's commercial tenant base makes up a relatively small portion of Killam's overall business, with the commercial portfolio accounting for approximately 6.0% of total revenues and 4.7% of Killam's total NOI for the six months ended June 30, 2020. Killam is in the process of filing CECRA applications for approximately 35 commercial tenants and recorded a reduction in commercial revenue of \$0.1 million during Q2-2020 related to the program. Killam is also working with tenants that do not qualify for CECRA on a case-by-case basis, and in certain cases has agreed to temporary rent deferrals for 60 to 90 days.

New Joint Development with RioCan in Ottawa

On July 30, 2020, Killam acquired a 50% interest in a parcel of land for development in Ottawa, Ontario, for \$4.3 million. The 168-unit apartment development, adjacent to the grocery-anchored Elmvale Acres Shopping Centre, began construction in Q3-2019 and is expected to be completed in Q1-2022. Killam is partnering with RioCan REIT on the development and invested an additional \$9.8 million subsequent to the acquisition to reflect the construction costs completed to date.

Financial Summary (in thousands, except per unit amounts)

FFO are recognized as an industry-wide standard measure of real estate entities' operating performance, and Management considers FFO per unit to be a key measure of operating performance. REALpac, Canada's senior national industry association for owners and managers of investment real estate, has recommended guidelines for a standard industry calculation of FFO based on IFRS. Killam calculates FFO in accordance with the REALpac definition except for the deduction of income recorded for accounting purposes related to insurance proceeds. Notwithstanding the foregoing, FFO does not have a standardized meaning under IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies.

Consolidated Financial Highlights (unaudited) (000's)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Property revenue	\$64,899	\$59,198	\$128,193	\$116,384
Net operating income	41,516	37,510	79,565	71,055
Fair value adjustments	(3,769)	73,062	9,865	84,845
Net income	21,509	82,789	60,011	109,880
Net income attributable to unitholders	21,504	82,782	60,003	109,870
Reconciliation of Net Income to FFO	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Net income	\$21,509	\$82,789	\$60,011	\$109,880
Fair value adjustments	3,769	(73,062)	(9,865)	(84,845)
Non-controlling interest	(5)	(7)	(8)	(10)
Internal commercial leasing costs	81	79	162	159
Deferred tax (recovery) expense	465	12,088	(2,654)	14,660
Interest expense on exchangeable units	698	685	1,390	1,357
Loss on disposition	—	994	—	994
Unrealized loss on derivative liability	52	118	495	312
Depreciation on owner-occupied building	40	36	83	71
Change in principal related to lease liabilities	8	32	16	63
FFO	\$26,617	\$23,752	\$49,630	\$42,641
FFO per unit - diluted	\$0.26	\$0.25	\$0.48	\$0.45

Financial Statements

Killam's condensed consolidated interim Financial Statements and Management's Discussion and Analysis for the three and six months ended June 30, 2020, are posted under Financial Reports in the Investor Relations section of Killam's website at www.killamreit.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 6, 2020, at 9:00 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 landlords, owning, operating, managing and developing a \$3.5 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-IFRS Measures

Management believes these non-IFRS financial measures are relevant measures of the ability of the REIT to earn revenue and to evaluate Killam's financial performance. The 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"), and applicable per unit amounts, are calculated by Killam as net income adjusted for depreciation on an owner-occupied building, 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, interest expense related to lease liabilities, insurance proceeds, and non-controlling interest. FFO are calculated in accordance with the REALpac definition, except for the adjustment of insurance proceeds as REALpac does not address this adjustment.
- Adjusted funds from operations ("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 spend to maintain and sustain Killam's properties), commercial leasing costs and straight-line commercial rents. AFFO are calculated in accordance with the REALpac definition. Management considers AFFO an earnings metric.
- Same property results in relation to Killam are revenues and property operating expenses for stabilized properties that Killam has owned for equivalent periods in 2020 and 2019. Same property results represent 89.4% of the fair value of Killam's investment property portfolio as at June 30, 2020. Excluded from same property results in 2020 are acquisitions, dispositions and developments completed in 2019 and 2020, non-stabilized commercial properties linked to development projects, and other adjustments to normalize for revenue or expense items that relate to prior periods or are not operational.
- Interest coverage is calculated by dividing EBITDA by interest expense, less interest expense related to exchangeable units.

See the Q2-2020 Management's Discussion and Analysis for further details on these non-IFRS measures.

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Note: The Toronto Stock Exchange has neither approved nor disapproved of the information contained herein. Certain statements in this report may constitute forward-looking statements. Such forward-looking statements

involve risks, uncertainties and other factors including risks and uncertainties relating to the COVID-19 pandemic, which may cause actual results, performance or achievements of Killam to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. For more exhaustive information on these risks and uncertainties, you should refer to Killam's most recently filed annual information form which is available at www.sedar.com. Readers, therefore, should not place undue reliance on any such forward-looking statements. 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. Other than as required by law, Killam does not undertake to update any of such forward-looking statement.