



February 16, 2023
Halifax, Nova Scotia

KILLAM APARTMENT REIT ANNOUNCES STRONG Q4-2022 AND 2022 OPERATING PERFORMANCE AND FINANCIAL RESULTS

Killam Apartment REIT (TSX: KMP.UN) ("Killam") is pleased to report its results for the fourth quarter and year ended December 31, 2022.

"Killam achieved strong operating and financial performance for the 2022 year," noted Philip Fraser, President and CEO. "The unprecedented demand for apartments, growing interest in seasonal MHC resorts, and strong leasing in our commercial business resulted in 4.7% overall same property net operating income growth in 2022."

"In addition to growth from our existing properties, we acquired strong compliments to our portfolio across the country in the first half of the year, investing \$119 million in Ontario, British Columbia and Nova Scotia. Killam slowed acquisition activity during the second half of the year following rising interest rates and focused on maintaining capital flexibility," Fraser said.

"Developments remain an important part of our capital allocation strategy, and in 2022 we completed three developments in Ontario, adding \$243 million of high-quality buildings to our portfolio. All of these properties are approaching, or at full occupancy. Additionally, we have three development projects underway which will contribute an additional 320 units to our portfolio. These developments will contribute to Killam's earnings growth in the future and contribute to the housing supply in Canada."

Q4 Financial & Operating Highlights

- Reported a net loss of \$9.8 million, compared to net income of \$74.8 million in Q4-2021. The decrease in net income is due to fair value write-downs on investment properties in Q4-2022 as a result of cap-rate expansion in several of Killam's markets.
- Achieved a 4.4% increase in same property revenue and a 4.1% increase in same property net operating income (NOI) over Q4-2021.¹
- Realized a 50 basis points (bps) increase in same property apartment occupancy, achieving 98.7% occupancy in the quarter, the highest occupancy in Killam's history.¹
- Earned funds from operations (FFO) per unit (diluted) of \$0.27, consistent with Q4-2021, and adjusted funds from operations (AFFO) per unit (diluted) of \$0.23, reflecting a 4.5% increase from Q4-2021.²

2022 Financial & Operating Highlights

- Reported net income of \$122.5 million, compared to \$285.5 million in 2021. The year-over-year decline is due to fair value write-downs on investment properties in 2022 as a result of cap-rate expansion in several of Killam's markets.

¹ Same property revenue, same property net operating income and same property apartment occupancy are supplementary financial measures. An explanation of the composition of these measures can be found under "Supplementary Financial Measures." Occupancy represents actual residential rental revenue, net of vacancy, as a percentage of gross potential residential rent.

² FFO and AFFO are not defined by International Financial Reporting Standards (IFRS) and 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."

- Generated NOI of \$206.9 million, a 12.9% increase from \$183.2 million in 2021.
- Increased FFO per unit (diluted) by 3.7% to \$1.11, compared to \$1.07 in 2021, and increased AFFO per unit (diluted) by 3.3% to \$0.93, compared to \$0.90 in 2021.
- Generated same property NOI growth of 4.7% during 2022.
- Achieved a 5.0% increase in same property revenue in 2022, the result of a 3.7% increase in the average apartment same property rental rate and a 130 bps increase in same property apartment occupancy.
- Maintained a conservative and flexible balance sheet, ending the year with debt as a percentage of assets of 45.3%.

(000's)	<i>Three months ended December 31,</i>			<i>Twelve months ended December 31,</i>		
	2022	2021	Change	2022	2021	Change
Property revenue	\$84,534	\$76,998	9.8%	\$328,847	\$290,917	13.0%
Net operating income (NOI)	\$53,169	\$47,921	11.0%	\$206,912	\$183,235	12.9%
Net income (loss)	(\$9,810)	\$74,801	(113.1)%	\$122,532	\$285,527	(57.1)%
FFO ⁽¹⁾	\$32,719	\$30,514	7.2%	\$132,603	\$119,235	11.2%
FFO per unit (diluted) ⁽¹⁾	\$0.27	\$0.27	—%	\$1.11	\$1.07	3.7%
AFFO per unit (diluted) ⁽¹⁾	\$0.23	\$0.22	4.5%	\$0.93	\$0.90	3.3%
AFFO payout ratio (diluted) ⁽¹⁾	77%	78%	(100) bps	75%	76%	(100) bps
Same property apartment occupancy ⁽²⁾	98.7%	98.2%	50 bps	98.3%	97.0%	130 bps
Same property revenue growth ⁽²⁾	4.4%			5.0%		
Same property NOI ⁽²⁾	4.1%			4.7%		

(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 below.

(2) Same property revenue, same property net operating income and same property apartment occupancy are supplementary financial measures. An explanation of the composition of these measures can be found under "Supplementary Financial Measures". Occupancy represents actual residential rental revenue, net of vacancy, as a percentage of gross potential residential rent.

<i>Debt Metrics As At</i>	December 31, 2022	December 31, 2021	Change
Debt to total assets	45.3%	45.0%	30 bps
Weighted average mortgage interest rate	2.74%	2.58%	16 bps
Weighted average years to debt maturity	3.8	4.0	(0.2) years
Interest coverage ratio ⁽³⁾	3.31x	3.53x	(6.2)%

(3) Interest coverage is defined in "Supplementary Financial Measures". An explanation of the composition of these measures can be found under "Supplementary Financial Measures".

Summary of 2022 Results and Operations

Continued Geographic Diversification through Acquisitions and Developments Completed in 2022

During 2022, Killam continued to expand its portfolio through acquisitions, acquiring \$118.6 million in properties. Killam added 338 apartment units and 99 MHC sites to its portfolio, expanding its geographic diversification, with 91% of the apartment units acquired located outside of Atlantic Canada, principally in Ontario and British Columbia. Killam is executing on its geographic diversification strategy; the percentage of NOI generated outside of Atlantic Canada reached 35.8% in 2022, up 280 bps from 33.0% in 2021.

Killam continues to advance its developments, investing \$63.2 million in 2022 and completing three development projects. This includes two joint venture properties, Latitude (208 units) and Luma (168 units), both located in Ottawa, and The Kay, a 128-unit building located in Mississauga. In aggregate, these three properties are

expected to generate \$6.0 million in NOI annually, once stabilized (for Killam's ownership interest). Killam also has two active projects totalling 181 units which are expected to be completed in mid-2023, and another 139-unit project underway expected to be completed in 2024.

Net Income Impacted by Fair Value Write-Downs

Killam earned net income of \$122.5 million in 2022, compared to \$285.5 million in 2021. The decrease in net income is due to fair value write-downs on investment properties of \$19.9 million in 2022, compared to fair value gains of \$239.7 million in 2021. These fair value losses reflect an expansion of cap-rates during the year. Killam's weighted average cap-rate for its apartment portfolio as at December 31, 2022 was 4.48%, a 7 bps increase from the weighted average cap-rate as at December 31, 2021. The fair value losses were partially offset with robust NOI growth driven by strong apartment fundamentals. Killam's NOI grew by \$23.7 million, or 12.9% year-over-year, driven by acquisitions, completed developments, and increased earnings from the existing portfolio.

Achieved FFO per Unit Growth of 3.7% and AFFO per Unit Growth of 3.3%

Killam's FFO per unit was \$1.11 in 2022, a 3.7% increase from \$1.07 in 2021. AFFO per unit increased 3.3% to \$0.93, compared to \$0.90 in 2021. The growth in FFO and AFFO was attributable to increased NOI from Killam's same property portfolio and incremental contributions from acquisitions, which total over \$500 million since the beginning of 2021. This growth was partially offset by a 7.2% increase in the weighted average number of Trust Units outstanding, along with higher interest expense as a result of rising interest rates.

Revenue Growth Drove Same Property NOI Growth of 4.7%

Killam generated 4.7% same property NOI growth during the year, with a 4.5% increase from the apartment portfolio, a 7.9% increase from the commercial portfolio and a 6.0% increase from the MHC portfolio. Same property revenue growth of 5.0% was driven by higher rental rates across all three business segments, coupled with a 130 bps increase in apartment occupancy. Total same property operating expenses increased 5.4% in 2022, driven primarily by higher natural gas pricing in Killam's core markets, which resulted in a 13.3% increase in same property utility and fuel expenses. Same property general operating expenses were managed below inflation, only increasing by 3.6%, while property tax expenses increased modestly by 2.2%.

Rising Interest Rates

The maturity dates of Killam's mortgages are staggered to help mitigate interest rate risk. During the year, Killam refinanced \$151.6 million of maturing mortgages with \$213.0 million of new debt at a weighted average interest rate of 3.70%, 90 bps higher than the weighted average interest rate of the maturing debt. Interest expense related to Killam's credit facilities increased as variable interest rates rose sharply in 2022.

Progress on ESG Initiatives

Killam continues to reduce its environmental impact and ensure its buildings are sustainable and resilient to climate change. In 2022, Killam invested \$8.5 million in energy projects, which included \$3.2 million in building efficiencies, including improved insulation and cladding, \$2.1 million in new high efficiency boilers, \$1.4 million in window replacements, \$1.3 million in solar panels and \$0.5 million in the installation of electric vehicle chargers.

In the fourth quarter, Killam commissioned its sixth geothermal heating and cooling system, increasing the number of apartment units using geothermal technology to over 1,000. The newest installation is at Civic 66, Killam's 169-unit development in Kitchener, Ontario, which is scheduled to open in the first half of 2023. This system is expected to reduce heating and cooling energy consumption by approximately 25% compared to conventional heating and cooling systems.

Financial Statements

Killam's Annual Consolidated Financial Statements, including the notes thereto, and its Annual Management's Discussion and Analysis (the "MD&A") for the year ended December 31, 2022, are posted under Financial Reports in the Investor Relations section of Killam's website at www.killamreit.com and are each filed 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 Friday, February 17, 2023, at 9:00 AM Eastern Standard 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-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, or as indicators of Killam's performance or the 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 and AFFO, divided by the basic or diluted number of units outstanding at the end of the relevant period.

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 85.8% of the fair value of Killam's investment property portfolio as at December 31, 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.
- Same property average rent is calculated by taking a weighted average of the total residential rent for the last month of the reporting period, divided by the relevant number of the units per region for stabilized properties that Killam has owned for equivalent periods in 2022 and 2021. For total residential rents, rents for occupied units are based on contracted rent, and rents for vacant units are based on estimated market rents if the units were occupied.
- 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.

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

Reconciliation of Net Income to FFO	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Net income	(\$9,810)	\$74,801	\$122,532	\$285,527
Fair value adjustments	38,291	(55,811)	(11,861)	(211,708)
Non-controlling interest	(4)	(4)	(16)	(13)
Internal commercial leasing costs	90	147	315	302
Deferred tax expense	3,363	10,716	18,813	42,393
Interest expense on exchangeable units	688	701	2,790	2,766
Unrealized loss (gain) on derivative liability	71	(69)	(88)	(167)
Depreciation on owner-occupied building	24	26	96	106
Change in principal related to lease liabilities	6	7	22	29
FFO	\$32,719	\$30,514	\$132,603	\$119,235
FFO per unit - diluted	\$0.27	\$0.27	\$1.11	\$1.07

Reconciliation of FFO to AFFO	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
FFO	\$32,719	\$30,514	\$132,603	\$119,235
Maintenance capital expenditures	(5,123)	(4,666)	(20,318)	(18,023)
Commercial straight-line rent adjustment	(27)	(47)	(196)	(356)
Internal commercial leasing costs	(152)	(132)	(532)	(418)
AFFO	\$27,417	\$25,669	\$111,557	\$100,438
AFFO per unit – basic	\$0.23	\$0.22	\$0.93	\$0.90
AFFO per unit – diluted	\$0.23	\$0.22	\$0.93	\$0.90
AFFO payout ratio – diluted	77%	78%	75%	76%
AFFO payout ratio – rolling 12 months ⁽¹⁾	75%	76%		
Weighted average number of units – basic (000s)	120,510	114,408	119,511	111,465
Weighted average number of units – diluted (000s)	120,676	114,571	119,678	111,626

(1) Based on Killam's annual distribution of \$0.7000 for the year ended December 31, 2022, and \$0.6867 for the year ended December 31, 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: the occupancy rate of Killam's properties, the effects of acquisitions and development projects on Killam's earnings and financial condition and the timing thereof; the continued expansion of Killam's portfolio; annual NOI generation as a result of new developments; the completion, costs, capacity, total investment and timing of development projects and acquisitions; Killam's commitment to reducing its environmental impact and ensuring its buildings are sustainable and resilient to climate change; the timing of completion and anticipated energy consumption benefits from Killam's geothermal heating and cooling systems; and Killam's priorities.

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 and duration of local, international and global events, such as the COVID-19 pandemic, any government responses thereto and the effectiveness of measures intended to mitigate any impacts thereof; competition; global, national and regional economic conditions (including rising interest rates and inflation); 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.