February 14, 2024
Halifax, Nova Scotia

KILLAM APARTMENT REIT ANNOUNCES STRONG Q4-2023 AND 2023 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, 2023.

"Killam achieved total NOI growth of 8.3% for the year, driven by strong market fundamentals in our core markets and solid operating performance across all business segments. Same property NOI was up 7.8% in 2023, including NOI growth of 7.6% from the apartment portfolio, 3.5% NOI growth from the MHC portfolio and 15.8% from the commercial portfolio," noted Philip Fraser, President and CEO.

"The successful execution of our capital recycling program in 2023 increased capital flexibility and strengthened our balance sheet. The net proceeds from $168.7 million in dispositions were used to pay down variable rate debt and fund our active developments. Killam finished 2023 with variable rate debt representing 3.0% of total debt, significantly less than the 9.8% at the beginning of the year.

"We added 415 new units to the portfolio in 2023 through our development program, including Civic 66, a 169-unit property in Kitchener, ON, and The Governor, a 12-unit property in downtown Halifax, NS. Additionally, we purchased the remaining 90% interest in the second phase of Nolan Hill, in Calgary, AB, last December. Killam held a 10% interest throughout the development of this project with a commitment to purchase the remaining 90% upon completion at a fixed price of $65 million, based on terms agreed to in 2021. These developments are expected to contribute positively to Killam's earnings growth in the future and, more importantly, to the much-needed supply of housing in Canada."

Q4 Financial & Operating Highlights

- Reported net operating income (NOI) of $56.5 million, compared to $53.2 million in Q4-2022.
- Achieved a 5.4% increase in same property revenue and an 8.8% increase in same property NOI in Q4-2023, compared to Q4-2022.[1]
- Achieved 98.5% same property apartment occupancy in the quarter.
- Earned funds from operations (FFO) per unit (diluted) of $0.28, a 3.7% increase from Q4-2022, and adjusted funds from operations (AFFO) per unit (diluted) of $0.23, consistent with Q4-2022.[2]

[1] Same property revenue, same property net operating income, same property average rent, 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."

2023 Financial & Operating Highlights

- Reported net income of $266.3 million, compared to $122.5 million in 2022. The year-over-year increase is due to $174.2 million in fair value gains on investment properties in 2023, compared to a fair value loss of $19.9 million in 2022, contributions from developments and same property NOI growth in 2023.
- Generated NOI of $224.0 million, an 8.3% increase from $206.9 million in 2022.
- Increased FFO per unit by 3.6% to $1.15, compared to $1.11 in 2022, and increased AFFO per unit by 4.3% to $0.97, compared to $0.93 in 2022.
- Generated same property NOI growth of 7.8% during 2023.
- Achieved a 5.5% increase in same property revenue in 2023, the result of a 5.1% increase in the same property average rental rate(2) and a 30 basis points (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 42.9%.

	Three months ended December 31,			***Twelve months ended December 31,***		
(000's)	**2023**	2022	Change	**2023**	2022	Change
Property revenue	**$86,858**	$84,534	2.7%	**$348,150**	$328,847	5.9%
Net operating income (NOI)	**$56,488**	$53,169	6.2%	**$224,043**	$206,912	8.3%
Net (loss) income	**($11)**	($9,810)	N/A	**$266,333**	$122,532	N/A
FFO (1)	**$34,034**	$32,719	4.0%	**$139,755**	$132,603	5.4%
FFO per unit (diluted) (1)	**$0.28**	$0.27	3.7%	**$1.15**	$1.11	3.6%
AFFO per unit (diluted) (1)	**$0.23**	$0.23	—%	**$0.97**	$0.93	4.3%
AFFO payout ratio (diluted) (1)	**75%**	77%	(200) bps	**72%**	75%	(300) bps
Same property apartment occupancy (2)	**98.5%**	98.6%	(10) bps	**98.5%**	98.2%	30 bps
Same property revenue growth (2)	**5.4%**			**5.5%**		
Same property NOI (2)	**8.8%**			**7.8%**		

(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 below.

(2) Same property revenue, same property net operating income, same property average rent, 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.

Debt Metrics As At	**December 31, 2023**	December 31, 2022	Change
Debt to total assets	**42.9%**	45.3%	(240) bps
Weighted average mortgage interest rate	**3.22%**	2.74%	48 bps
Weighted average years to debt maturity	**3.9**	3.8	0.1 years
Interest coverage ratio (3)	**3.10x**	3.31x	(6.3)%

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

Summary of 2023 Results and Operations

Strengthened Balance Sheet

During 2023, Killam decreased its debt as a percentage of total assets by 240 bps, down from 45.3% at December 31, 2022, to 42.9% at December 31, 2023. In 2023, Killam's variable rate debt was reduced by $150.4 million, as funds from dispositions and mortgage refinancings were used to reduce the balance on Killam's credit facility.

Variable rate debt as a percentage of total debt decreased to 3.0% at the end of 2023, compared to 9.8% as at December 31, 2022.

Generated Net Income of $266.3 million

Killam earned net income of $266.3 million in 2023, compared to $122.5 million in 2022. The increase in net income is due to fair value gains on investment properties of $174.2 million in 2023, compared to fair value write-downs of $19.9 million in 2022. The fair value gains in 2023 reflect robust NOI growth driven by strong apartment fundamentals, partially offset by an expansion in cap-rates. Killam's weighted average cap-rate for its apartment portfolio as at December 31, 2023 was 4.62%, a 14 bps increase from the weighted average cap-rate as at December 31, 2022. Killam's NOI grew by $17.1 million, or 8.3% year-over-year, was driven by increased earnings from the existing portfolio and developments completed in 2022.

Delivered FFO per Unit Growth of 3.6% and AFFO per Unit Growth of 4.3%

Killam's FFO per unit was $1.15 in 2023, a 3.6% increase from $1.11 in 2022. AFFO per unit increased 4.3% to $0.97, compared to $0.93 in 2022. The growth in FFO and AFFO was attributable to increased NOI from Killam's same property portfolio and contributions from developments completed in 2022. This growth was partially offset by a 1.7% increase in the weighted average number of Trust Units outstanding, along with higher interest expense and property dispositions.

Achieved Same Property NOI Growth of 7.8%

Killam achieved a 7.8% increase in same property NOI during the year, with a 7.6% increase from the apartment portfolio, a 15.8% increase from the commercial portfolio and a 3.5% increase from the MHC portfolio. Same property revenue growth of 5.5% was driven by higher rental rates across all three business segments, coupled with a 30 bps increase in same property apartment occupancy and reductions in rental incentives.

Total same property operating expenses increased by 1.6%, well below the average rate of inflation of 3.9% in Canada during 2023. This was driven by a 0.4% reduction in property tax expense based on lower regional mill rates in New Brunswick and one-time property tax subsidies in Prince Edward Island. Same property general operating expenses were up 2.2% as a result of higher wages and service contract costs, partially offset by lower insurance, advertising, and repairs and maintenance costs. Same property utility and fuel expenses were up 3.0%, mainly driven by higher water expense, and an increase in natural gas costs in Q1-2023. Killam's strong NOI performance resulted in an operating margin improvement of 140 bps for the same property portfolio compared to 2022.

Completed $168.7 million in Property Dispositions, $69.3 million in Acquisitions and $94.1 million in Developments in 2023

During 2023, Killam completed a total of 14 property dispositions for gross proceeds of $168.7 million. Proceeds were used to reduce the amount drawn on Killam's credit facility and to fund developments. The sale of these properties aligns with Killam's strategy to optimize value from its portfolio and to increase geographical diversification outside Atlantic Canada (87% of the units sold were located in Atlantic Canada.) During the fourth quarter, Killam fulfilled its commitment to purchase the remaining 90% interest in the second phase of the Nolan Hill development in Calgary adding 234 newly constructed units to the portfolio. Killam continues to advance its development pipeline, investing $39.3 million in 2023 and completing two development projects (Civic 66 and The Governor), which contain a combined total of 181 apartment units. Killam has one development project in-progress, The Carrick, a 139-unit property located in Waterloo, ON, which is expected to be completed in the second half of 2025. Killam continues to advance other projects in its development pipeline.

Higher Interest Rates on Refinancings

The maturity dates of Killam's mortgages are staggered to help mitigate interest rate risk. During 2023, Killam refinanced $252.0 million of maturing mortgages with $320.3 million of new debt at a weighted average interest rate of 4.89%, 183 bps higher than the weighted average interest rate of the maturing debt. Overall, Killam's weighted average mortgage interest rate increased 48 bps at the end of 2023 to 3.22%, compared to 2.74% at December 31, 2022. The weighted average term to maturity is 3.9 years.

Progress on ESG Initiatives

Killam continues to reduce its environmental impact and ensure its buildings are sustainable and resilient to climate change. In 2023, Killam invested $8.8 million in energy projects, which include a geothermal heating and cooling system at Civic 66, installation of photovoltaic (PV) solar panels and electric vehicle (EV) chargers at select properties, new boilers and heat pumps, building automation systems, as well as electricity and water conservation projects. To date, Killam has installed 23 PV solar arrays, with an expected 2,395 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 lowering its carbon footprint. Additionally, Killam continues to install Level II EV charging stations across its portfolio, with 401 charging stations operational at 57 buildings.

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, 2023, 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.sedarplus.ca. 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, February 15, 2024, 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 of the webcast will be available for one year after the event 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 $5.0 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 and dispositions, with an emphasis on acquiring 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, change in principal 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 2023 and 2022. Similarly, same property revenue is a supplementary financial measure defined as revenue for stabilized properties that Killam has owned for equivalent periods in 2023 and 2022. 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 2023 and 2022. Same property results represent 90.0% of the fair value of Killam's investment property portfolio as at December 31, 2023. Excluded from same property results in 2023 are acquisitions, dispositions and developments completed in 2022 and 2023, 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 2023 and 2022. 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,***	
	2023	2022	**2023**	2022
Net (loss) income	**($11)**	($9,810)	**$266,333**	$122,532
Fair value adjustments	**29,577**	38,291	**(167,028)**	(11,861)
Non-controlling interest	**—**	(4)	**(10)**	(16)
Internal commercial leasing costs	**90**	90	**360**	315
Deferred tax expense	**1,025**	3,363	**33,158**	18,813
Interest expense on exchangeable units	**682**	688	**2,729**	2,790
Loss on dispositions	**2,640**	—	**4,021**	—
Unrealized loss (gain) on derivative liability	**—**	71	**68**	(88)
Depreciation on owner-occupied building	**25**	24	**102**	96
Change in principal related to lease liabilities	**6**	6	**22**	22
FFO	**$34,034**	$32,719	**$139,755**	$132,603
FFO per unit — diluted	**$0.28**	$0.27	**$1.15**	$1.11

Reconciliation of FFO to AFFO	***Three months ended December 31,***		***Year ended December 31,***	
	2023	2022	**2023**	2022
FFO	**$34,034**	$32,719	**$139,755**	$132,603
Maintenance capital expenditures	**(5,278)**	(5,123)	**(21,587)**	(20,318)
Commercial straight-line rent adjustment	**(5)**	(27)	**78**	(196)
Internal commercial leasing costs	**(168)**	(152)	**(446)**	(532)
AFFO	**$28,583**	$27,417	**$117,800**	$111,557
AFFO per unit – diluted	**$0.23**	$0.23	**$0.97**	$0.93
AFFO payout ratio – diluted (1)	**75%**	77%	**72%**	75%
Weighted average number of units – diluted (000s)	**122,217**	120,676	**121,656**	119,678

(1) Based on Killam's annual distribution of $0.7000 for both the years ended December 31, 2023 and December 31, 2022.

For information, please contact:
Claire Hawksworth, CPA
Manager, Investor Relations & Sustainability
chawksworth@killamREIT.com
(902) 442-5322

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 housing supply in Canada, and the timing thereof; the continued expansion of Killam's portfolio, including through developments, and the timing thereof; annual NOI generation as a result of new developments; the completion, costs, capacity, total investment and timing of development projects; 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 PV solar arrays, 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, 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 on SEDAR+ at www.sedarplus.ca. 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.