



August 7, 2024  
Halifax, Nova Scotia

## **KILLAM APARTMENT REIT ANNOUNCES Q2-2024 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, 2024.

"We are pleased to present another quarter of strong operating performance, including same property net operating income [NOI] growth of 8.5%," noted Philip Fraser, President and CEO.

"With our three recently completed developments in lease-up through the second quarter, funds from operations [FFO] remained steady at \$0.30 per unit in Q2-2024 compared to Q2-2023. We have achieved significant leasing progress on all three of these properties, including full lease-up at Civic 66 and The Governor. These best-in-class developments are expected to contribute to strong FFO growth in the second half of the year and into 2025.

"We continued to execute on our capital recycling program in the second quarter, with the sale of an 84-unit apartment building in Guelph, Ontario for a sale price of \$19.2 million. Subsequent to quarter-end, we completed the sale of a 66-unit apartment building in PEI for a sale price of \$8.4 million. The proceeds from these sales have been used to strengthen our balance sheet and fund strategic capital investments and developments that will enhance our portfolio and create long-term value. With additional dispositions planned for the remainder of the year, we expect to meet our target of \$50 million in dispositions in 2024."

### **Q2-2024 Financial & Operating Highlights**

- Reported net income of \$114.5 million, consistent with net income of \$114.5 million in Q2-2023. Killam recorded fair value gains on investment properties of \$85.5 million, compared to larger fair value gains of \$96.2 million in Q2-2023.
- Generated NOI of \$59.9 million, a 6.6% increase from \$56.2 million in Q2-2023.
- Achieved a 6.1% increase in same property revenue compared to Q2-2023.<sup>1</sup>
- Generated 8.5% same property NOI growth compared to Q2-2023.<sup>1</sup>
- Earned FFO per unit of \$0.30, consistent with \$0.30 earned in Q2-2023.<sup>2</sup>
- Earned adjusted funds from operations (AFFO) per unit of \$0.25, consistent with \$0.25 in Q2-2023<sup>3</sup>, and reduced the rolling 12-month AFFO payout ratio by 200 basis points (bps) to 72%, from 74% in Q2-2023.<sup>2</sup>
- Increased the same property operating margin by 140 bps to 66.2% from 64.8% in Q2-2023.

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<sup>1</sup> Same property revenue, and same property NOI are supplementary financial measures. An explanation of the composition of these measures can be found under the heading "Supplementary Financial Measures."

<sup>2</sup> FFO, AFFO, FFO per unit, AFFO per unit and AFFO payout ratio 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 issuers. For information regarding non-IFRS measures, including reconciliations to the most comparable IFRS measure, see "Non-IFRS Measures."

<sup>3</sup> The maintenance capital expenditures used to calculate AFFO and AFFO payout ratio for the three and six months ended June 30, 2023, were updated to reflect the maintenance capex reserve of \$1,025 per apartment unit, \$300 per manufactured home community (MHC) site and \$1.00 per square foot (SF) for commercial properties that were used in the calculation for the 12 months ended December 31, 2023.

- Ended the second quarter with debt as a percentage of total assets of 41.2%, the lowest level in Killam's history.

(000s)	Three months ended June 30,			Six months ended June 30,		
	2024	2023	Change	2024	2023	Change
Property revenue	<b>\$90,776</b>	\$86,863	4.5%	<b>\$178,281</b>	\$171,758	3.8%
Net operating income	<b>\$59,923</b>	\$56,226	6.6%	<b>\$114,944</b>	\$107,041	7.4%
Net income	<b>\$114,452</b>	\$114,538	(0.1)%	<b>\$241,693</b>	\$197,998	22.1%
FFO <sup>(1)</sup>	<b>\$36,673</b>	\$36,207	1.3%	<b>\$68,053</b>	\$66,489	2.4%
FFO per unit (diluted) <sup>(1)</sup>	<b>\$0.30</b>	\$0.30	—%	<b>\$0.55</b>	\$0.55	—%
AFFO <sup>(1)</sup>	<b>\$31,197</b>	\$30,626	1.9%	<b>\$57,159</b>	\$55,431	3.1%
AFFO per unit (diluted) <sup>(1)(2)</sup>	<b>\$0.25</b>	\$0.25	—%	<b>\$0.47</b>	\$0.46	2.2%
AFFO payout ratio – diluted <sup>(1)(2)</sup>	<b>69%</b>	70%	(100) bps	<b>75%</b>	77%	(200) bps
AFFO payout ratio – rolling 12 months <sup>(1)(2)</sup>	<b>72%</b>	74%	(200) bps			
Same property apartment occupancy <sup>(3)</sup>	<b>98.2%</b>	98.2%	– bps			
Same property revenue growth <sup>(3)</sup>	<b>6.1%</b>			<b>6.0%</b>		
Same property NOI growth <sup>(3)</sup>	<b>8.5%</b>			<b>9.3%</b>		

(1) FFO, FFO per unit, AFFO, AFFO per unit, and AFFO payout ratio are non-IFRS financial measures. A reconciliation from net income to FFO and a reconciliation from FFO to AFFO can be found under the heading "Non-IFRS Reconciliation."

(2) The maintenance capital expenditures used to calculate AFFO and AFFO payout ratio for the three and six months ended June 30, 2023, were updated to reflect the maintenance capex reserve of \$1,025 per apartment unit, \$300 per MHC site and \$1.00 per SF for commercial properties that were used in the calculation for the 12 months ended December 31, 2023.

(3) Same property apartment occupancy, same property revenue, and same property NOI are supplementary financial measures. An explanation of the composition of these measures can be found under the heading "Supplementary Financial Measures."

<b>Debt Metrics as at</b>	<b>June 30, 2024</b>	December 31, 2023	Change
Debt to total assets	<b>41.2%</b>	42.9%	(170) bps
Weighted average mortgage interest rate	<b>3.32%</b>	3.22%	10 bps
Weighted average years to debt maturity	<b>3.8</b>	3.9	(0.1) years
Interest coverage ratio <sup>(1)</sup>	<b>3.01x</b>	3.10x	(2.9)%
Debt to normalized EBITDA <sup>(1)</sup>	<b>9.98x</b>	10.29x	(3.0)%

(1) Interest coverage ratio and debt to normalized earnings before interest, tax, depreciation and amortization ("EBITDA") ratio are non-IFRS ratios. An explanation of the composition of these measures can be found under the heading "Non-IFRS Ratios."

## Summary of Q2-2024 Results and Operations

### Achieved Same Property NOI Growth of 8.5%

Killam achieved same property NOI growth of 8.5% during Q2-2024, along with an operating margin increase of 140 bps. This growth was driven by a 6.1% increase in same property revenue, partially offset by a modest 1.7% increase in same property operating expenses. Same property revenue growth is attributed to a 6.4% increase in apartment rental rates year-over-year, a 39% reduction in rental incentives, increasing ancillary revenue and stable occupancy. Rental growth continues to accelerate with a record high weighted-average 8.2% rental rate increase for units that renewed and turned in Q2-2024.

The 1.7% increase in total same property operating expenses is attributable to a 1.3% increase in general operating expenses coupled with a 6.6% increase in property tax expenses, due to higher property taxes across the portfolio and the absence of property tax subsidies in Prince Edward Island (PEI) (which were offered in 2023 to compensate apartment owners for rent control restrictions). This was partially offset by a 4.0% reduction in utility and fuel expenses, the result of lower natural gas prices in Q2-2024.

### **Generated Net Income of \$114.5 Million**

During the quarter, Killam generated net income of \$114.5 million, consistent with net income in Q2-2023. Killam recorded fair value gains on investment properties of \$85.5 million during Q2-2024, compared to fair value gains of \$96.2 million in Q2-2023. The fair value gains on investment properties in Q2-2024 were a direct result of strong NOI growth and operating margin expansion. This variance was offset by an increase in NOI of \$3.7 million, a reduction in deferred tax expense of \$1.3 million.

### **Stable FFO and AFFO per Unit Earnings**

Killam generated FFO growth of 1.3% in Q2-2024, up \$0.5 million from Q2-2023. AFFO increased 1.9%, up \$0.6 million compared to Q2-2023. The growth in FFO and AFFO is attributable to strong NOI growth from Killam's same property portfolio, partially offset by higher interest costs, lower capitalized interest and the short-term impact of vacancy during the lease-up of recently completed developments. As a result, FFO and AFFO per unit in the quarter were consistent with Q2-2023 at \$0.30 and \$0.25, respectively. Two of the developments which reached substantial completion in mid-2023, The Governor and Civic 66, are now fully leased, up from 40% and 66% as at December 31, 2023. Nolan Hill Phase II, which reached substantial completion in December 2023, is currently 76% leased, up from 19% at year-end 2023. These projects are expected to contribute positively to earnings growth during the second half of 2024 and through the first half of 2025.

### **Continued Progress on Killam's Disposition Strategy**

During Q2-2023, Killam completed the disposition of Woolwich, an 84-unit apartment building located in Guelph, Ontario, for gross proceeds of \$19.2 million, bringing the total dispositions completed in the first half 2024 to \$21.6 million. Killam's capital recycling program is focused on non-core and slower growth properties, or those that may be more capital or carbon intensive. Killam expects to complete a minimum of \$50 million of dispositions in 2024, with proceeds used to reduce the balance on Killam's credit facility, fund future development activity, support strategic acquisitions and potentially buy back Trust Units through Killam's normal course issuer bid program.

### **Higher Interest Rates on Refinancings**

The maturity dates of Killam's mortgages are staggered to mitigate interest rate risk. During Q2-2024, Killam refinanced \$96.6 million of maturing mortgages with \$125.8 million of new debt at a weighted average interest rate of 4.59%, 143 bps higher than the weighted average interest rate of the maturing debt. Overall, Killam's weighted average mortgage interest rate increased 10 bps at the end of Q2-2024 to 3.32%, compared to 3.22% as at December 31, 2023.

### **ESG Update**

During the quarter, Killam invested \$1.0 million in energy initiatives, including the installation of photovoltaic (PV) solar panels, new boilers and heat pumps, and roofing upgrades across the portfolio. This brings Killam's total investment in energy initiatives to \$2.4 million year-to-date. At the end of Q2-2024, Killam had 24 PV solar arrays producing power, with an expected 2,500 MWh of annual energy production. Killam's commitment to fostering a positive workplace culture was reaffirmed by exceeding its annual employee satisfaction survey target of 80%. Killam was honored to receive the Atlantic Business Magazine's Employers of Diversity Award, which recognizes Killam's efforts to promote diversity and inclusion. Additionally, during the quarter, Killam completed its sixth annual GRESB submission, demonstrating commitment to transparent ESG disclosures. Killam's 2023 ESG report was released on June 12, 2024, and can be accessed on its website at <https://killamreit.com/esg>. The report summarizes Killam's commitment to creating and maintaining sustainable communities and details its progress and future plans to achieve its long-term sustainability targets.

### **Additional Dispositions Subsequent to Quarter End**

On July 11, 2024, Killam completed the disposition of Bridlewood, a 66-unit apartment building located in Charlottetown, PEI, for a sale price of \$8.4 million and net cash proceeds of \$2.7 million.

## Financial Statements

Killam's condensed consolidated interim Financial Statements and Management's Discussion and Analysis (MD&A) for the three and six months ended June 30, 2024, are posted under Financial Reports in the Investor Relations section of Killam's website at [www.killamreit.com](http://www.killamreit.com), and are available on SEDAR+ at [www.sedarplus.ca](http://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, August 8, 2024, at 8:00 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 of the webcast will be available at the same link for one year after the event.

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 \$5.3 billion portfolio of apartments and manufactured home communities. Killam's strategy to enhance value and profitability focuses on three priorities: 1) increase earnings from existing operations; 2) expand the portfolio and diversify geographically through accretive acquisitions, targeting newer properties and dispositions of non-core assets; and 3) develop 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, 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.

## Non-IFRS Financial Measures

- 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.
- 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.
- Adjusted earnings before interest, tax, depreciation and amortization ("adjusted EBITDA") is a non-IFRS financial measure calculated by Killam as net income before fair value adjustments, gains (losses) on

disposition, income taxes, interest, depreciation and amortization. A reconciliation between net income and adjusted EBITDA is included below.

- Normalized adjusted EBITDA is a non-IFRS financial measure 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. In addition, adjustments have been made to eliminate earnings associated with properties sold in the last twelve months. A reconciliation between adjusted EBITDA and normalized adjusted EBITDA is included below.
- Net debt is a non-IFRS financial measure used by Management in the computation of debt to normalized adjusted EBITDA. Net debt is calculated as the sum of mortgages and loans payable, credit facilities and construction loans (total debt) reduced by the cash balances at the end of the period. The most directly comparable IFRS measure to net debt is debt. A reconciliation between debt and net debt is included below.

## **Non-IFRS Ratios**

- Interest coverage is calculated by dividing adjusted EBITDA by mortgage, loan and construction loan interest and interest on credit facilities.
- Per unit calculations are calculated using the applicable non-IFRS financial measures noted above, i.e. FFO and AFFO, divided by the diluted number of units outstanding at the end of the relevant period.
- Payout ratios are calculated using the distribution rate for the applicable period divided by the applicable per unit amount, i.e. AFFO per unit.
- Debt to normalized adjusted EBITDA is calculated by dividing net debt by normalized adjusted EBITDA.

## **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 2024 and 2023. Similarly, same property revenue is a supplementary financial measure defined as revenue for stabilized properties that Killam has owned for equivalent periods in 2024 and 2023.
- 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 2024 and 2023. Same property results represent 96% of the fair value of Killam's investment property portfolio as at June 30, 2024. Excluded from same property results in 2024 are acquisitions, dispositions and developments completed in 2023 and 2024, 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,	
	2024	2023	2024	2023
Net income	\$114,452	\$114,538	\$241,693	\$197,998
Fair value adjustments	(91,946)	(93,848)	(205,769)	(157,213)
Non-controlling interest	—	(3)	—	(7)
Internal commercial leasing costs	45	90	135	180
Deferred tax expense	12,689	14,016	29,658	22,958
Interest expense on Exchangeable Units	682	682	1,364	1,364
Loss on disposition	721	729	913	1,079
Unrealized (gain) loss on derivative liability	—	(28)	—	68
Depreciation on owner-occupied building	24	25	48	51
Change in principal related to lease liabilities	6	6	11	11
FFO	\$36,673	\$36,207	\$68,053	\$66,489
FFO per unit – diluted	\$0.30	\$0.30	\$0.55	\$0.55

Reconciliation of FFO to AFFO	Three months ended June 30,		Six months ended June 30,	
	2024	2023 <sup>(1)</sup>	2024	2023 <sup>(1)</sup>
FFO	\$36,673	\$36,207	\$68,053	\$66,489
Maintenance capital expenditures	(5,316)	(5,431)	(10,639)	(10,922)
Commercial straight-line rent adjustment	(51)	(49)	(82)	52
Internal commercial leasing costs	(109)	(101)	(173)	(188)
AFFO	\$31,197	\$30,626	\$57,159	\$55,431
AFFO per unit – diluted	\$0.25	\$0.25	\$0.47	\$0.46
AFFO payout ratio – diluted	69%	70%	75%	77%
AFFO payout ratio – rolling 12 months <sup>(2)</sup>	72%	74%		
Weighted average number of units – diluted (000s)	122,980	121,472	122,795	121,273

(1) The maintenance capital expenditures used to calculate AFFO and AFFO per unit (diluted) for the three and six months ended June 30, 2023, were updated to reflect the maintenance capex reserve of \$1,025 per apartment unit, \$300 per MHC site and \$1.00 per SF for commercial properties that were used in the calculation for the 12 months ended December 31, 2023.

(2) Based on Killam's annual distribution of \$0.69996 for both the 12-month period ended June 30, 2024, and the 12-month period ended June 30, 2023.

Normalized Adjusted EBITDA	Twelve months ended,		
	June 30, 2024	December 31, 2023	% Change
Net income	\$310,029	\$266,333	16.4%
Deferred tax expense	39,859	33,158	20.2%
Financing costs	75,107	69,398	8.2%
Depreciation	946	669	41.4%
Loss on disposition	3,854	4,021	(4.2)%
Fair value adjustment on unit-based compensation	(162)	330	(149.1)%
Fair value adjustment on Exchangeable Units	(2,417)	6,821	(135.4)%
Fair value adjustment on investment properties	(213,005)	(174,179)	22.3%
Adjusted EBITDA	214,211	206,551	3.7%
Normalizing adjustment <sup>(1)</sup>	5,080	3,480	46.0%
Normalized adjusted EBITDA	219,291	210,031	4.4%
Total interest-bearing debt	\$2,198,769	\$2,174,995	
Cash and cash equivalents	(10,202)	(14,087)	
Net debt	\$2,188,567	\$2,160,908	1.3%
Debt to normalized adjusted EBITDA	9.98x	10.29x	(3.0)%

(1) Killam's normalizing adjustment includes NOI adjustments for recently completed acquisitions, dispositions and developments to account for the difference between NOI booked in the period and stabilized NOI over the next 12 months.

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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: same property NOI growth rate; the occupancy rate of Killam's properties; FFO growth and the timing thereof; rental rates and lease renewals and the timing thereof; the effects of acquisitions and development projects on Killam's earnings and financial condition; Killam's weighted average mortgage interest rate; the expected amount and use of proceeds from dispositions and the timing thereof; Unit repurchases under Killam's normal course issuer bid; the continued expansion of Killam's portfolio, including through developments, and the timing thereof; Killam's capital recycling program and its impact on Killam's portfolio and long-term value creation; annual NOI generation as a result of new developments; the progress, completion, costs, capacity, total investment and timing of development projects; the anticipated energy production from Killam's photovoltaic (PV) solar arrays; Killam's commitment to transparent ESG disclosures and creating and maintaining sustainable communities; 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; government legislation and the interpretation and enforcement thereof; litigation to which Killam may be subject; 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](http://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 its 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.*