



February 12, 2020
Halifax, Nova Scotia

KILLAM APARTMENT REIT ANNOUNCES STRONG Q4 AND 2019 OPERATING PERFORMANCE AND FINANCIAL RESULTS AND A 3.0% DISTRIBUTION INCREASE

Killam Apartment REIT (TSX: KMP.UN) ("Killam") today reported its results for the fourth quarter and year ended December 31, 2019.

Q4 Financial & Operating Highlights

- Reported net income of \$126.8 million compared to \$44.3 million in Q4-2018, due to strong operating performance, contributions from acquisitions and fair value gains on investment properties.
- Earned funds from operations ("FFO") per unit (diluted) of \$0.25, an 8.7% increase from Q4-2018. Increased adjusted funds from operations ("AFFO") per unit by 16.7% to \$0.21, compared to \$0.18 in Q4-2018, and reduced the AFFO payout ratio 700 bps to 80%, from 87% in Q4-2018.

2019 Financial & Operating Highlights

- Reported net income of \$283.5 million compared to \$175.2 million in 2018, due to strong operating performance, contributions from acquisitions and fair value gains on investment properties.
- Generated net operating income ("NOI") of \$152.3 million, a 12.2% increase from \$135.7 million in 2018.
- Earned FFO per unit (diluted) of \$0.98, a 4.3% increase from 2018.
- Increased AFFO per unit by 5.3% to \$0.80, compared to \$0.76 in 2018, and reduced the AFFO payout ratio 200 bps to 82%, from 84% in 2018.
- Generated same property NOI growth of 4.1% over 2018 and increased the NOI margin by 40 basis points ("bps") to 62.9%.
- Recognized fair value gains on investment properties of \$244.1 million, reflecting higher rental rates, strong NOI growth and cap-rate compression, particularly in the Halifax market.

(000's)	<i>Three months ended December 31,</i>			<i>Twelve months ended December 31,</i>		
	2019	2018	Change	2019	2018	Change
Property revenue	\$62,685	\$58,041	8.0%	\$241,749	\$215,959	11.9%
Net operating income	\$39,932	\$36,889	8.2%	\$152,336	\$135,712	12.2%
Net income	\$126,805	\$44,273	186.4%	\$283,525	\$175,171	61.9%
FFO ⁽¹⁾	\$24,997	\$20,611	21.3%	\$93,884	\$81,808	14.8%
FFO per unit (diluted) ⁽¹⁾	\$0.25	\$0.23	8.7%	\$0.98	\$0.94	4.3%
AFFO per unit (diluted) ⁽¹⁾	\$0.21	\$0.18	16.7%	\$0.80	\$0.76	5.3%
AFFO payout ratio (diluted) ⁽¹⁾	80%	87%	(700) bps	82%	84%	(200) bps
Same property apartment occupancy ⁽²⁾	97.6%	97.5%	10 bps	97.3%	96.9%	40 bps
Same property revenue growth	3.5%			3.5%		
Same property net operating income growth	4.0%			4.1%		

(1) FFO and AFFO are defined in "Non-IFRS Measures" below. A reconciliation between net income and FFO is included on page 29 of the 2019 Management Discussion and Analysis. A reconciliation from FFO to AFFO is included on page 31 of the 2019 Management Discussion and Analysis.

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

Debt Metrics As At December 31,	2019	2018	Change
Debt to total assets	43.4%	49.8%	(640) bps
Weighted average mortgage interest rate	2.90%	2.95%	(5) bps
Weighted average years to debt maturity	4.5	4.4	0.1 years
Interest coverage ratio	3.20x	3.22x	(0.6)%

Summary of 2019 Results and Operations

Achieved Net Income of \$284 Million

Killam achieved net income of \$284 million in 2019 compared to \$175 million in 2018. The increase in net income is primarily attributable to fair value gains on investment properties, growth through acquisitions and increased earnings from the existing portfolio, offset by increased financing costs and deferred tax expense.

FFO per Unit Growth of 4.3% and AFFO per Unit Growth of 5.3%

Killam generated solid FFO and AFFO per unit growth in 2019. FFO per unit was \$0.98 in 2019, 4.3% higher than 2018, and AFFO per unit increased 5.3% in 2019. The growth is attributable to increased NOI due to strong same property performance and incremental contributions from recent acquisitions and completed developments, partially offset by higher financing costs and a 10.0% increase in the weighted average number of units outstanding from an aggregate \$201 million of equity issued in 2019. AFFO was further enhanced by the addition of newer high-quality assets to the portfolio, which require lower maintenance capital expenditure.

Portfolio Growth from Acquisitions and Continued Geographic Diversification

In 2019, Killam completed \$191 million of acquisitions, adding 640 apartment units, approximately 220,000 square feet of commercial space and 359 MHC sites to its portfolio. These acquisitions expanded Killam's presence in Ontario, Alberta, PEI and New Brunswick. Killam has continued to execute on its strategy to increase the percentage of NOI generated outside Atlantic Canada, with an increase from 27% in 2018 to 30% in 2019. More than 56% of the capital deployed for acquisitions in 2019 was in Alberta and Ontario.

Same Property NOI Growth of 4.1% and Improved Operating Margin

Killam achieved 4.1% growth in consolidated same property NOI and a 40 bps improvement in its operating margin during 2019. This improvement was driven by rental rate growth and improved occupancy. Operating expenses increased 2.4%, in-line with inflationary cost pressures.

Killam's same property apartment NOI increased 4.2% during the year, with Ontario, New Brunswick and Halifax all achieving NOI growth of over 5.0%.

Rental Rate Growth of 3.6% Enhanced Top Line Performance

Same property revenue increased 3.5%, compared to 2018, as a result of a 3.6% increase in the average rental rate for the apartment portfolio, a 40 bps increase in average apartment occupancy, a decrease in rental incentives and 2.6% top-line growth within the MHC portfolio. With continued high occupancy levels, increasing rental rates is a key focus for revenue optimization.

Same property rental rate growth has accelerated over the last eight quarters, from 1.8% in Q4-2017 to 3.6% in Q4-2019. Rental rate increases on unit turns and lease renewals averaged 5.8% and 2.1% in 2019, up from 4.7% and 1.7% a year earlier. Halifax and Ontario led the apartment performance, achieving year-over-year same property apartment revenue increases of 4.7% and 4.1%.

Successful Repositioning Program Continues to Generate Above-average Returns

During 2019, Killam invested \$6.8 million in repositionings and completed 304 unit upgrades. The average return on investment ("ROI") on unit repositionings during the year was approximately 13%, based on an average renovation cost of \$25,000 per unit. These repositionings are expected to generate approximately an additional \$1.0 million in NOI on an annualized basis, and approximately \$20 million in Net Asset Value ("NAV") growth.

Cap-rate Compression and Strong NOI Growth Supported Fair Value Gains

Killam recorded \$244.1 million in fair value gains related to its investment properties for the year ended December 31, 2019, as a result of cap-rate compression in Halifax, Ontario and on the MHC portfolio and robust NOI growth driven by increasing rental rates and strong apartment fundamentals across Killam's core markets. Killam's weighted average cap-rates for its apartment and MHC portfolios at December 31, 2019, were 4.76% and 5.65%, a decrease of 39 bps and 111 bps compared to December 31, 2018.

Substantial Development Activity Underway

The Alexander and Saginaw Park developments, completed in 2018, and the Frontier development, completed in June 2019, contributed positively to FFO per unit growth in 2019, together adding \$3.1 million to FFO.

Killam continues to make progress on its current developments, investing \$41.7 million during 2019. Killam ended 2019 with four development projects underway, totaling 348 units, that have an expected value upon completion of approximately \$160 million. In addition, Killam holds a 10% interest in another active development in Calgary. Killam's current development pipeline includes over 2,650 units. Construction of approximately 1,500 of these units is expected to start within the next five years, with 53% of these future units located outside of Atlantic Canada.

Investments in Technology and Data Analytics

Killam implemented a customer relationship management (CRM) software solution in 2019 to augment its high-quality service to tenants and prospective tenants, optimize rental opportunities and further reduce vacancy. This has allowed potential tenants to book appointments and complete applications online while Killam's leasing teams focus on delivering exceptional customer service. Killam also implemented a risk management software solution in 2019, and expanded its data analytics platform. Having real-time access to leasing and operating data has increased Killam's ability to rapidly analyze demand and make more timely and accurate operating decisions.

Environmental, Social and Governance (ESG) Focused Initiatives

Killam is working towards reducing its impact on the environment and ensuring its buildings are sustainable and resilient to climate change. Along with Killam's on-going energy efficiency capital investments, Management completed its first Global Real Estate Sustainability Benchmark ("GRESB") rating in 2019, as well as a greenhouse gas audit. From this process, many new ESG initiatives were developed and completed such as a property manager sustainability scorecard that measures asset-level sustainability and social engagement.

Summary of Q4-2019 Results

Killam generated FFO per unit of \$0.25 in Q4-2019, a 8.7% increase over \$0.23 in Q4-2018. Growth was attributable to higher earnings from the same property portfolio, a reduction in amortization of deferred financing costs, and growth from acquisitions and completed developments. These gains were partially offset by lower revenue related to the timing of recognition of forgivable government loans in 2018, higher interest expense and an 11.5% increase in the weighted average number of units outstanding, following the equity issuances in 2019 to reduce leverage and fund growth.

Same property revenue increased 3.5% in Q4-2019, compared to Q4-2018, due to a 3.6% increase in the average rental rate, a 10 bps increase in occupancy for the apartment portfolio and 1.7% top-line growth within the MHC portfolio. Performance was strongest in Edmonton, London and Halifax, where revenues increased by 12.7%, 4.8% and 4.7%, respectively. Operating expenses for the fourth quarter were 2.6% higher than the same period in 2018 due to higher repairs and maintenance costs and insurance premiums, as well as higher property tax assessments and rate increases. This was partially offset by a reduction in utility and fuel expenses due to the installation of LED lighting over the past 12 months, in addition to a reduction of inclusion of unit electricity as a rental incentive. In total, same property NOI for Q4-2019 was 4.0% higher than in Q4-2018, and the operating margin improved 40 bps to 63.6%.

\$63 million in Acquisition in Q1-2020

Killam has acquired \$63 million in acquisitions year-to-date and continues to diversify geographically with its first apartment acquisition in Victoria, BC. Christie Point Apartments, a 161-unit apartment complex, was acquired in January for \$54 million (\$335,000 per unit). This property is currently 99% occupied with an average rent of \$1,555 per unit. Longer-term, there is potential to redevelop the property in phases, totaling 780,000 square feet of buildable area, for an overall total of 473 units.

Killam has also acquired 9 Carrington Place in Halifax for \$8.8 million (\$163,000 per unit). The 54-unit apartment building was built in 2000 and includes underground parking. This property is well-located in the Clayton Park neighbourhood and is adjacent to an existing Killam apartment building. The property is currently 100% occupied with an average rent of \$1,176 per unit.

3.0% Distribution Increase

The Board of Trustees today approved a 3.0% increase in Killam's distribution on an annualized basis, to \$0.68 per unit from \$0.66 per unit. The monthly distribution will be \$0.05667 per unit, up from \$0.055 per unit. The increase is effective for the March 2020 distribution, to be paid in April 2020.

Management's Comments

"We finished 2019 with solid financial and operational results, realizing the positive returns of executing on our three strategic priorities," noted Philip Fraser, President and CEO. "Market fundamentals in our core markets are very good, and with high occupancy, we achieved same property NOI growth of 4.1% in 2019."

"The \$191 million of acquisitions in 2019 focused on new, high-quality properties and geographic diversification outside Atlantic Canada. Our development pipeline continues to evolve with the first phase of an Ottawa development completed and 97% leased today, and four more projects under construction. The value creation from these developments will continue to contribute to our FFO per unit growth in the coming years" stated Mr. Fraser.

"We started 2020 with extending our apartment portfolio to Greater Victoria, British Columbia, along with gaining a redevelopment opportunity, and now operate in seven provinces coast to coast. With our organic earnings growth, and robust acquisition and development pipelines, we are confident in the year ahead."

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 (000's)	Three months ended December 31,		Twelve months ended December 31,	
	2019	2018	2019	2018
Property revenue	\$62,685	\$58,041	\$241,749	\$215,959
Net operating income	39,932	36,889	152,336	135,712
Fair value adjustments	115,158	36,059	230,079	127,877
Net income	126,805	44,273	283,525	175,171
Net income attributable to unitholders	126,831	44,257	283,536	175,144

Reconciliation of Net Income to FFO	Three months ended December 31,		Twelve months ended December 31,	
	2019	2018	2019	2018
Net income	\$126,805	\$44,273	\$283,525	\$175,171
Fair value adjustments	(115,158)	(36,059)	(230,079)	(127,877)
Loss on disposition	28	16	1,257	197
Non-controlling interest	26	(15)	11	(27)
Internal commercial leasing costs	79	66	317	131
Deferred tax expense	17,278	11,423	40,636	31,478
Interest expense related to exchangeable units	685	626	2,727	2,453
Net insurance proceeds ⁽¹⁾	(4,754)	—	(5,022)	—
Unrealized loss (gain) on derivative liability	(67)	245	235	129
Depreciation on owner-occupied building	39	36	147	153
Change in principal related to lease liabilities	36	—	130	—
FFO	\$24,997	\$20,611	\$93,884	\$81,808
FFO unit - diluted	\$0.25	\$0.23	\$0.98	\$0.94

(1) The FFO adjustment for net insurance proceeds relates to proceeds covering property damage, net of demolition costs.

Financial Statements

Killam's Consolidated Financial Statements and Management's Discussion and Analysis for the year ended December 31, 2019, 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, February 13, 2020 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): 1-888-390-0605

Overseas or local (Toronto): 1-416-764-8609

Profile

Killam Apartment REIT, based in Halifax, Nova Scotia, is one of Canada's largest residential landlords, owning, operating, managing and developing a \$3.3 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 2019 and 2018. Same property results represent 80.2% of the fair value of Killam's investment property portfolio as at December 31, 2019. Excluded from same property results in 2019 are acquisitions, dispositions and developments completed in 2018 and 2019, 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 2019 Management's Discussion and Analysis for further details on these non-IFRS measures.

For information, please contact:

Nancy Alexander, CPA, CA
VP, Investor Relations & Sustainability
nalexander@killamREIT.com
(902) 442-0374

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 relating to our operations and the environment in which we operate, which are based on our expectations, estimates, forecast and projections, which we believe are reasonable as of the current date. Such forward-looking statements involve risks, uncertainties and other factors 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 our 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 statements.