



February 10, 2021  
Halifax, Nova Scotia

## **KILLAM APARTMENT REIT ANNOUNCES Q4-2020 AND 2020 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, 2020.

"Although it was a year with many unforeseen challenges, we are pleased with our operating and financial performance in 2020 and our ability to execute on all three of our strategic priorities," noted Philip Fraser, President and CEO. "With the continued success of our suite repositioning program and the strong fundamentals in our core markets, same property revenue grew 2.0% for the year. When combined with the sharp focus of managing operating expenses, we realized 2.3% growth in same property NOI."

"We completed \$211 million in acquisitions in 2020, our second largest year of acquisitions ever. These acquisitions focused on new, high-quality properties and continued geographic diversification with purchases in Victoria, BC, a new market for Killam."

"We completed our apartment development, Shorefront, in Charlottetown, PEI in October and advanced five additional development projects, including two projects completed in Q1-2021 that have positive leasing momentum. These developments contribute positively to Killam's net asset value growth and further contribute to Killam's FFO per unit growth long-term" stated Mr. Fraser.

"As we remain in the middle of the COVID-19 pandemic, we are staying focused on the health and safety of our tenants, employees and the communities in which we operate. With a resilient portfolio, a dedicated team and continued execution on our growth strategy, we are cautiously optimistic of the year ahead."

### **Q4 Financial & Operating Highlights**

- Reported net income of \$48.6 million, a decrease of \$78.2 million compared to \$126.8 million in Q4-2019, due to higher fair value gains on investment properties recognized in Q4-2019.
- Despite the impacts of COVID-19, achieved a 2.2% increase in same property revenue and a 0.9% increase in same property net operating income ("NOI") over Q4-2019.
- Earned funds from operations ("FFO") per unit (diluted) of \$0.25, and adjusted funds from operations ("AFFO") per unit (diluted) of \$0.21, both consistent with Q4-2019.

### **2020 Financial & Operating Highlights**

- Reported net income of \$146.0 million, a decrease of \$137.5 million compared to \$283.5 million in 2019, due to higher fair value gains on investment properties recognized in 2019.
- Generated NOI of \$164.7 million, an 8.1% increase from \$152.3 million in 2019.
- Increased AFFO per unit (diluted) by 3.7% to \$0.83, compared to \$0.80 in 2019, and increased FFO per unit (diluted) by 2.0% to \$1.00, compared to \$0.98 in 2019.
- Generated same property NOI growth of 2.3% versus 2019.

- Achieved a 2.0% increase in same property revenue, including 2.4% from the apartment portfolio.
- Maintained high same property apartment occupancy of 96.8%, down 40 basis points ("bps") from all-time annual high of 97.2% in 2019.
- Maintained a conservative and flexible balance sheet, ending the year with debt as a percentage of assets of 44.6% and over \$250 million of acquisition capacity.

(000's)	Three months ended December 31,			Twelve months ended December 31,		
	2020	2019	Change	2020	2019	Change
Property revenue	\$66,845	\$62,795	6.4%	\$261,690	\$242,164	8.1%
Net operating income	\$41,702	\$39,932	4.4%	\$164,662	\$152,336	8.1%
Net income	\$48,563	\$126,805	(61.7%)	\$146,040	\$283,525	(48.5%)
FFO <sup>(1)</sup>	\$26,537	\$24,997	6.2%	\$104,678	\$93,884	11.5%
FFO per unit (diluted) <sup>(1)</sup>	\$0.25	\$0.25	—%	\$1.00	\$0.98	2.0%
AFFO per unit (diluted) <sup>(1)</sup>	\$0.21	\$0.21	—%	\$0.83	\$0.80	3.7%
AFFO payout ratio (diluted) <sup>(1)</sup>	83%	80%	300 bps	82%	82%	— bps
Same property apartment occupancy <sup>(2)</sup>	96.6%	97.6%	(100) bps	96.8%	97.2%	(40) bps
Same property revenue growth	2.2%			2.0%		
Same property NOI	0.9%			2.3%		

(1) FFO and AFFO are defined in "Non-IFRS Measures" below. A reconciliation between net income and FFO is included on page 31 of the 2020 Management Discussion and Analysis. A reconciliation from FFO to AFFO is included on page 33 of the 2020 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, 2020	December 31, 2019	Change
Debt to total assets	44.6%	43.4%	120 bps
Weighted average mortgage interest rate	2.69%	2.90%	(21) bps
Weighted average years to debt maturity	4.6	4.5	0.1 years
Interest coverage ratio	3.36x	3.20x	5.0%

## Summary of 2020 Results and Operations

### Portfolio Growth from Acquisitions

Killam completed \$211.1 million in acquisitions in 2020, bringing its total portfolio to \$3.8 billion. Killam added 650 apartment units to its portfolio by entering into the BC apartment market for the first time, acquiring 315 units in Victoria and further expanding its presence in Halifax and Moncton. Killam also acquired an MHC containing 89 sites, a small commercial property and development land, totalling \$12.0 million. Killam continues to execute on its geographic diversification strategy and increased the percentage of NOI generated outside of Atlantic Canada to 32%, up from 30% in 2019. Over 56% of the equity deployed in 2020 was in British Columbia and Ontario.

### FFO per Unit Growth of 2.0% and AFFO per Unit Growth of 3.7%

Killam generated solid FFO and AFFO per unit growth in 2020. FFO per unit was \$1.00 in 2020, 2.0% higher than 2019. AFFO per unit increased 3.7%, to \$0.83 compared to \$0.80 in 2019. The growth in FFO and AFFO was attributable to an increase in same property performance, and contributions from recent acquisitions and stabilized developments, partially offset by a 9.0% increase in the weighted average number of units outstanding.

### Positive Same Property NOI Growth

Killam achieved 2.3% same property NOI growth during the year, with apartments up 2.6%, offsetting a 0.2% decline from the MHC portfolio. Overall, same property revenues were up 2.0% and expenses were up only 1.4%, compared to 2019. Impacts of COVID-19 were felt in the year, including delayed apartment rent increases following rent increase suspensions during Q2, reduced activity at Killam's nine seasonal MHCs, lower commercial rent following participation in the Canadian Emergency Commercial Rent Assistance (CECRA) program, and increased compensation for Killam's front-line workers.

### Repositioning Program Continues to Generate Above-average Returns

During 2020, Killam invested \$14.5 million in unit repositionings, completing 495 unit upgrades, up 63% from 304 units completed in 2019. The average unlevered return on investment ("ROI") on unit repositionings completed during the year was 13.0%, based on an average renovation cost of \$25,000 per unit. Repositioned units completed in 2020 are expected to generate approximately \$1.5 million in additional NOI on an annualized basis and approximately \$30 million in Net Asset Value ("NAV") growth at current capitalization rates.

### Refinancing at Low Rates Contributed to Earnings Growth

Killam benefited from lower interest rates on mortgages refinanced in 2020. During the year, Killam refinanced \$219.1 million of maturing mortgages with \$297.1 million of new debt at a weighted average interest rate of 1.83%, 85 bps lower than the weighted average interest rate of the maturing debt. Killam was also able to take advantage of low interest rates for acquisitions, placing debt on acquisitions in the fourth quarter of 2020 at a weighted average interest rate of 1.9%.

### Substantial Development Activity

Killam continues to advance its development pipeline, with five active developments underway at year-end totaling 711 units (523 units representing Killam's percentage ownership) for an expected total investment of \$310 million (Killam's investment \$223 million). During 2020, Killam invested \$76.1 million in its active development projects and completed its Shorefront development, a 78-unit building located in Charlottetown, PE. Shorefront was substantially complete in Q4 and is currently 55% leased. Killam's 38-unit 10 Harley project is 95% complete and the building is expected to open by the end of February. Killam's 10% interest in the 233-unit Nolan Hill development project was also substantially complete at year-end, and Killam closed the acquisition of the remaining 90% of the project in January 2021.

### Environmental, Social and Governance (ESG) Focused Initiatives

Killam is continuing to work towards reducing its impact on the environment and ensuring its buildings are sustainable and resilient to climate change. Killam's ongoing energy efficiency capital investments program has been updated to include the installation of solar photovoltaic panels as a part of Killam's renewable energy targets. In late 2020, solar panels were installed at 11 existing properties, for an investment of \$1.2 million, with an additional \$2.5 million budgeted in 2021. Management completed its second GRESB rating in 2020, realizing a 32% improvement over its initial 2019 submission. From this process, many new ESG initiatives continue to be rolled out, such as building certification applications, sustainable supply chain management policies and enhanced diversity and inclusion practices.

### Rent Collection during 2020

Overall, rent collection remained strong in 2020, with rent collection rates as follows for the year ended December 31, 2020:

<b>% Collected <sup>(1)</sup></b>	<b>2020</b>
Apartments	99.9%
MHCs	99.6%
Commercial	98.5%
<b>Total (weighted average)</b>	<b>99.7%</b>

(1) % collected takes into consideration CECRA government funding, rent deferrals and rent abatement.

Killam worked with tenants who were financially impacted by COVID-19 during the year and where relevant, consistent with provincial directives. Historically, Killam has had less than 0.3% of revenue uncollected, and at this time management does not expect a material increase in rental defaults in 2021. Killam continues to offer 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 also works closely with its commercial tenants 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 year ended December 31, 2020. Killam filed CECRA applications for approximately 40 commercial tenants and recorded a reduction in commercial revenue of \$0.3 million during the year related to the program. Killam also provided various commercial tenants rental abatement during 2020 to help mitigate the impact of the pandemic with an impact of \$0.3 million on commercial revenue.

### **Summary of Q4-2020 Results**

Killam generated FFO per unit of \$0.25 and AFFO per unit of \$0.21 in Q4-2020, consistent with Q4-2019. Acquisitions and completed developments, same property NOI growth of 0.9% and a reduction in same property interest expense contributed to Q4-2020 FFO and AFFO growth. These increases to FFO per unit and AFFO per unit were offset by a 7.5% increase in the weighted average number of units outstanding from an equity raise completed in July 2020.

Same property revenue increased 2.2% in Q4-2020, compared to Q4-2019, due to a 3.3% increase in the average apartment rental rate and a 6.8% top-line growth within the MHC portfolio. This was partially offset by a 100 bps decrease in occupancy for the apartment segment to 96.6% from historically high Q4 occupancy rates achieved in Q4-2019. Operating expenses for the fourth quarter were 4.4% higher than the same period of 2019 due to higher compensation paid to frontline staff and insurance premiums, as well as higher property taxes. This was partially offset by lower utility and fuel expenses due to the reduction of inclusion of unit electricity as a rental incentive, lower commodity pricing of heating fuels in Killam's Maritime markets and switching select properties to more efficient heating sources. In total, same property NOI for Q4-2020 was 0.9% higher than in Q4-2019.

### **Q1-2021 Acquisition Update**

On January 21, 2021, Killam acquired the remaining 90% interest in the 233-unit Nolan Hill property in Calgary for \$49.5 million. Nolan Hill consists of three buildings with a mix of one, two and three bedroom units, averaging 823 square feet. The property is adjacent Killam's Treo at Sherwood property and has convenient access to a variety of amenities and shopping services nearby.

Killam secured financing for the Nolan Hill property through CMHC's Rental Construction Financing initiative (RCFi), a National Housing Strategy program that supports rental housing construction projects to encourage a stable supply of rental housing for middle-class families across Canada. Seventy-eight units at this property will have rents at 70% of market, averaging \$1,014, or \$1.20 per square foot. The remaining 154 units are priced at an average of \$1,403 per month, or \$1.74 per square foot. The property opened in January 2021 and is currently 31% leased.

On February 1, 2021, Killam purchased 54 Assomption Boulevard, a 23-unit, four-storey apartment building in Moncton, NB for \$5.6 million with an all cash yield of 4.2%. This concrete building was built in 2004 and is currently 100% leased.

## Financial Summary (in thousands, except per unit amounts)

FFO is 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 International Financial Reporting Standards ("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 December 31,		Year ended December 31,	
	2020	2019	2020	2019
Property revenue	\$66,845	\$62,795	\$261,690	\$242,164
Net operating income	41,702	39,932	164,662	152,336
Fair value adjustments	29,514	115,158	54,620	230,079
Net income	48,563	126,805	146,040	283,525
Net income attributable to unitholders	48,560	126,831	146,024	283,536
Reconciliation of Net Income to FFO	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Net income	\$48,563	\$126,805	\$146,040	\$283,525
Fair value adjustments	(29,514)	(115,158)	(54,620)	(230,079)
Non-controlling interest	(3)	26	(16)	11
Internal commercial leasing costs	51	79	264	317
Deferred tax expense	6,717	17,278	9,566	40,636
Interest expense on exchangeable units	697	685	2,784	2,727
Net insurance proceeds	—	(4,754)	—	(5,022)
Loss on disposition	—	28	—	1,257
Unrealized (gain) loss on derivative liability	(6)	(67)	483	235
Depreciation on owner-occupied building	24	39	146	147
Change in principal related to lease liabilities	8	36	31	130
FFO	\$26,537	\$24,997	\$104,678	\$93,884
FFO per unit - diluted	\$0.25	\$0.25	\$1.00	\$0.98

## 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, 2020, are posted under Financial Reports in the Investor Relations section of Killam's website at [www.killamreit.com](http://www.killamreit.com) and are each filed on SEDAR at [www.sedar.com](http://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 Thursday, February 11, 2021 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): 1-888-664-6392

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 \$3.8 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 these non-IFRS financial measures are relevant measures of the ability of Killam to earn revenue and to evaluate Killam's financial performance. Readers are cautioned that the below noted non-IFRS measures used in this press release 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.
- Adjusted cash flow from operations ("ACFO") is calculated by Killam as cash flow provided by operating activities with adjustments for changes in working capital that are not indicative of sustainable cash available for distribution, maintenance capital expenditures, commercial leasing costs, amortization of deferred financing costs and non-controlling interest. Management considers ACFO a measure of sustainable cash flow. ACFO is calculated in accordance with the REALPAC definition.

- Interest coverage is calculated by dividing EBITDA by interest expense, less interest expense related to exchangeable units.
- Debt service coverage is calculated by dividing EBITDA by interest expense, less interest expense related to exchangeable units, and principal mortgage repayments.
- Debt to normalized EBITDA is calculated by dividing interest-bearing debt (net of cash) by EBITDA that has been adjusted for a full year of stabilized earnings from recently completed acquisitions and developments.
- 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 90.3% of the fair value of Killam's investment property portfolio as at December 31, 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.

See Killam's MD&A for further details on these non-IFRS measures.

For information, please contact:

Nancy Alexander, CPA, CA

Vice President, 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 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", "estimate", "potential", "continue" 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: uncertainties and risks arising as a result of the spread of the COVID-19 pandemic, including uncertainty surrounding disruptions to financial markets, regional economies and the world economy; the financial condition of Killam's tenants and the ability of Killam's tenants to pay rent; interest rate fluctuations; market values; impact on financial results including impacts relating to rental rate growth expectations and rent collection; pace and scope on future acquisitions, construction, development and renovation, renewals and leasing; and the availability of capital to fund further investments in Killam's business.*

*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, duration and government responses to the COVID-19 pandemic and the effectiveness of measures intended to mitigate the impact of COVID-19; competition; national and regional economic conditions and the availability of capital to fund further investments in Killam's business. For more exhaustive information on these risks and uncertainties, you should refer to Killam's most recently filed annual information form dated March 30, 2020, as well as Killam's MD&A, each of which are available at [www.sedar.com](http://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. The forward-looking statements contained in this news release are expressly qualified by this cautionary statement.*