



May 5, 2021
Halifax, Nova Scotia

KILLAM APARTMENT REIT ANNOUNCES Q1-2021 OPERATING PERFORMANCE AND FINANCIAL RESULTS

Killam Apartment REIT (TSX: KMP.UN) ("Killam") today reported its results for the three months ended March 31, 2021.

"We are pleased to report solid operating and financial results for the first quarter of 2021, as we continue to execute against our long-term strategy," noted Philip Fraser, President and CEO. "Strong rental demand in the maritime provinces and Ontario, along with our quality management team, produced positive same property net operating income growth for the 28th consecutive quarter."

"Our suite repositioning program continues with the completion of 149 upgraded units in Q1-2021. With an average return on investment of approximately 12%, the repositioning program augments our ability to grow revenues during the COVID-19 pandemic. We reported a 3.3% increase in same property rents and realized a 60 basis points (bps) expansion in our same property operating margin."

"Our development program continues on schedule, with five developments currently underway. In addition, we are seeing strong leasing activity on the lease-up of three new developments that have recently come online, with 259 units of the 349 units (74%) leased. "

Q1-2021 Financial & Operating Highlights

- Reported net income of \$27.4 million, a decrease of \$11.1 million compared to \$38.5 million in Q1-2020, primarily driven by fair value adjustments on exchangeable units resulting from changes in Killam's unit price.
- Generated net operating income ("NOI") of \$40.3 million, a 5.8% increase from \$38.0 million in Q1-2020.
- Earned funds from operations ("FFO") per unit (diluted) of \$0.23, a 4.5% increase from \$0.22 in Q1-2020.
- Increased adjusted funds from operations ("AFFO") per unit (diluted) by 5.6% to \$0.19, compared to \$0.18 in Q1-2020, and reduced the AFFO payout ratio 300 bps to 89%, from 92% in Q1-2020.
- Achieved a 2.1% increase in revenue for the same property portfolio.
- Generated same property NOI growth of 3.1% over Q1-2020 and increased the NOI margin by 60 bps to 60.0%.

(000's)	Three months ended March 31,		
	2021	2020	Change
Property revenue	\$67,374	\$63,294	6.4%
Net operating income	\$40,263	\$38,048	5.8%
Net income	\$27,422	\$38,502	(28.8%)
FFO ⁽¹⁾	\$25,107	\$23,013	9.1%
FFO per unit (diluted) ⁽¹⁾	\$0.23	\$0.22	4.5%
AFFO per unit (diluted) ⁽¹⁾	\$0.19	\$0.18	5.6%
AFFO payout ratio – diluted ⁽¹⁾	89%	92%	(300) bps
AFFO payout ratio - rolling 12 months ⁽¹⁾	81%	81%	– bps
Same property apartment occupancy ⁽²⁾	96.6%	97.6%	(100) bps
Same property revenue growth	2.1%		
Same property net operating income growth	3.1%		

(1) FFO and AFFO are defined in "Non-IFRS Measures" below. A reconciliation between net income and FFO is included on page 22 of the Q1-2021 Management Discussion and Analysis. A reconciliation from FFO to AFFO is included on page 23 of the Q1-2021 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	March 31, 2021	December 31, 2020	Change
Debt to total assets	45.5%	44.6%	90 bps
Weighted average mortgage interest rate	2.66%	2.69%	(3) bps
Weighted average years to debt maturity	4.5	4.5	—
Interest coverage ratio	3.35x	3.36x	(0.3%)

Summary of Q1-2021 Results and Operations

FFO per Unit Growth of 4.5% and AFFO per Unit Growth of 5.6%

Killam generated FFO per unit of \$0.23 in Q1-2021, 4.5% higher than \$0.22 per unit generated in Q1-2020. AFFO per unit increased 5.6% in Q1-2021, to \$0.19 compared to \$0.18 in Q1-2020. FFO and AFFO growth was attributable to increased NOI from strong same property performance and incremental contributions from recent acquisitions and completed developments. This growth was partially offset by a 5.2% increase in the weighted average number of units outstanding.

Same Property NOI Growth of 3.1%

Killam achieved 3.1% growth in same property consolidated NOI and a 60 bps improvement in its operating margin during the quarter. This improvement was driven by rental rate growth and modest operating expense growth. Operating expenses increased only 0.5%, as increases in property tax and general operating expenses were mostly offset by a reduction in utility costs, namely lower unit electricity costs and a decrease in natural gas pricing. Killam's same property apartment NOI increased 3.1% during the first quarter, with New Brunswick and Charlottetown leading the growth (7.1% and 4.7%).

Rental Rate Growth on Unit Turns

Same property rental rates were up 3.3% as at March 31, 2021, versus March 31, 2020. Despite the current economic environment, demand remains strong for units on turnover with Killam achieving 4.4% rental rate growth on unit turns during Q1-2021. Impacts of the COVID-19 pandemic were seen with reduced increases on renewal rates in the quarter due to provincial restrictions and a 100 bps uptick in vacancy. Overall, apartment revenue growth during the quarter was up 2.0%. New Brunswick, Ontario and Halifax led apartment performance, achieving same property apartment revenue increases of 3.4%, 2.5% and 2.4%, respectively.

Repositioning Program Continues to Generate Above-average Returns

During Q1-2021, Killam invested \$3.4 million in unit repositionings, completing 149 unit upgrades. The average unlevered return on investment (ROI) on unit repositionings completed during the quarter was approximately 12.0%, based on an average renovation cost of \$25,500 per unit. The return and cost per unit may vary slightly quarter-to-quarter depending upon the mix of units repositioned across the portfolio. Repositioned units completed during the quarter are expected to generate approximately \$0.4 million in additional NOI on an annualized basis and approximately \$4.8 million in net asset value (NAV) growth.

Completed \$65.3 million in Acquisitions with 76% Outside of Atlantic Canada

During Q1-2021, Killam acquired the remaining 90% interest in the Nolan Hill development located in Calgary, AB for \$49.5 million, adding another 233 units to its apartment portfolio. The building opened to tenants in January, 2021 and is currently 75% leased. Killam also acquired \$10.2 million in land for future development, all of which is adjacent properties Killam currently owns. \$6.8 million of the development land acquired includes NOI generating properties, which are expected to remain operational until development begins.

Lower Interest Rates Contribute to Earnings Growth

Although refinancing activity was relatively light during Q1-2021, Killam benefited from refinancings completed during 2020, where \$219.1 million of maturing debt was upfinanced at a weighted average interest rate 85 bps lower than the weighted average interest rate of the maturing debt. Of the \$10.6 million of mortgages that were refinanced in Q1-2021, Killam realized a 55 bps reduction in its weighted average interest rate.

Substantial Development Activity

Killam continues to advance its development pipeline, with five active developments underway during Q1-2021, totalling 685 units (497 units representing Killam's percentage ownership) for an expected total investment of \$323.8 million (Killam's investment \$236.0 million). During Q1-2021, Killam invested \$18.0 million in its active development projects and completed its 10 Harley development, a 38-unit building located in Charlottetown, PE. This development reached substantial completion in March 2021 and is currently 63% leased.

Environmental, Social and Governance (ESG) Update

During Q1-2021, Killam released its 2020 ESG report and completed its third-party verified greenhouse gas review. Killam achieved a 1% reduction in like-for-like energy consumption in 2020, compared to 2019. Killam now has two photovoltaic (PV) solar arrays producing power and 10 PV solar arrays nearing completion, as previously announced. Killam continues to invest in greener energy with two more PV solar arrays expected to start in Q3-2021. In total, these projects will generate 1,500 MWh of energy annually.

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 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 March 31,	
	2021	2020
Property revenue	\$67,374	\$63,294
Net operating income	40,263	38,048
Fair value adjustments	7,856	13,633
Net income	27,422	38,502
Net income attributable to unitholders	27,420	38,499

Reconciliation of Net Income to FFO	Three months ended March 31,	
	2021	2020
Net income	\$27,422	\$38,502
Fair value adjustments	(7,856)	(13,633)
Non-controlling interest	(2)	(3)
Internal commercial leasing costs	52	81
Deferred tax expense (recovery)	4,800	(3,119)
Interest expense on exchangeable units	697	692
Unrealized (gain) loss on derivative liability	(40)	443
Depreciation on owner-occupied building	27	42
Change in principal related to lease liabilities	7	8
FFO	\$25,107	\$23,013
FFO per unit - diluted	\$0.23	\$0.22

Financial Statements

Killam's condensed consolidated interim Financial Statements and Management's Discussion and Analysis for the three months ended March 31, 2021, are posted under Financial Reports in the Investor Relations section of Killam's website at www.killamreit.com and are available on SEDAR at www.sedar.com. Readers are directed to these documents for financial details and a discussion of Killam's results.

Results Conference Call

Management will host a webcast and conference call to discuss these results and current business initiatives on Thursday, May 6, 2021, at 9:00 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 and developing a 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 its 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 is 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 is calculated in accordance with the REALPAC definition.
- Same property results in relation to Killam are revenues and property operating expenses for stabilized properties that Killam has owned for equivalent periods in 2021 and 2020. Same property results represent 90.3% of the fair value of Killam's investment property portfolio as at March 31, 2021. Excluded from same property results in 2021 are acquisitions, dispositions and developments completed in 2020 and 2021, 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 Killam's Q1-2021 Management's Discussion and Analysis 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", "remain" 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: market fundamentals and regional economies in Killam's markets, construction, development and renovation and the timing thereof, renewals and leasing, return and cost

per unit, expected occupancy rates and the timing thereof, rental and expense growth expectations and future net asset value expectations.

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 and any variants thereof; 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, readers should refer to Killam's most recently filed annual information form dated March 31, 2021, as well as Killam's most recently filed MD&A, each of which are available at www.sedar.com. Given these uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements contained in this press release.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events may not occur. Although Management believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that future results, levels of activity, performance or achievements will occur as anticipated. Further, a forward-looking statement speaks only as of the date on which such statement is made and should not be relied upon as of any other date. Neither Killam nor any other person assumes responsibility for the accuracy and completeness of any forward-looking statement, and no one has any obligation 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 contained in this press release are expressly qualified by this cautionary statement. 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.