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Halifax, Nova Scotia

KILLAM APARTMENT REIT ANNOUNCES Q2-2021 OPERATING PERFORMANCE AND FINANCIAL RESULTS

Killam Apartment REIT (TSX: KMP.UN) ("Killam" or the "REIT") today reported its results for the three and six months ended June 30, 2021.

"Our second quarter results reflect the underlying resilience of our portfolio," noted Philip Fraser, President and CEO. "Strong rental demand across our core markets drove both revenue and net operating income growth in the quarter. As we transition to a post-pandemic environment, the strength of our portfolio is evident and we are pleased to increase our forecast for 2021 annual same property net operating income to exceed three and a half percent, up from over two percent."

"The purchase of a 785-unit apartment portfolio in Kitchener-Waterloo highlighted an active acquisition quarter. With this acquisition, we increased our Ontario footprint to 3,342 units and have an additional 485 units currently under development in Ontario. We are excited for the opportunities this new portfolio offers and it further solidifies our presence in the KWC area."

Q2-2021 Financial & Operating Highlights

- Reported net income of \$136.7 million, an increase of \$115.2 million compared to \$21.5 million in Q2-2020, primarily attributable to growth through acquisitions and completed developments and increased earnings from the existing portfolio, as well as fair value gains on investment properties driven by cap-rate compression.
- Generated net operating income ("NOI") of \$44.6 million, a 7.9% increase from \$41.3 million in Q2-2020.
- Earned funds from operations ("FFO") per unit (diluted) of \$0.27, a 3.8% increase from \$0.26 in Q2-2020.
- Increased adjusted funds from operations ("AFFO") per unit (diluted) by 4.5% to \$0.23, compared to \$0.22 in Q2-2020, and reduced the AFFO payout ratio 400 basis points ("bps") to 75%, from 79% in Q2-2020.
- Achieved a 4.0% increase in revenue for the same property portfolio.
- Generated same property NOI growth of 4.5% over Q2-2020 and increased the NOI margin by 20 bps to 63.4%.

(000's)	Three months ended June 30,			Six months ended June 30,		
	2021	2020	Change	2021	2020	Change
Property revenue	\$70,300	\$64,899	8.3%	\$137,674	\$128,193	7.4%
Net operating income	\$44,596	\$41,318	7.9%	\$84,859	\$79,154	7.2%
Net income	\$136,672	\$21,509	535.4%	\$164,094	\$60,011	173.4%
FFO ⁽¹⁾	\$29,369	\$26,617	10.3%	\$54,475	\$49,630	9.8%
FFO per unit (diluted) ⁽¹⁾	\$0.27	\$0.26	3.8%	\$0.50	\$0.48	4.2%
AFFO per unit (diluted) ⁽¹⁾	\$0.23	\$0.22	4.5%	\$0.42	\$0.40	5.0%
AFFO payout ratio – diluted ⁽¹⁾	75%	79%	(400) bps	82%	85%	(300) bps
AFFO payout ratio - rolling 12 months ⁽¹⁾	80%	80%	– bps			
Same property apartment occupancy ⁽²⁾	96.9%	96.7%	20 bps			
Same property revenue growth	4.0%			3.1%		
Same property net operating income growth	4.5%			3.6%		

(1) FFO and AFFO are defined in "Non-IFRS Measures" below. A reconciliation between net income and FFO is included on page 24 of the Q2-2021 Management Discussion and Analysis. A reconciliation from FFO to AFFO is included on page 25 of the Q2-2021 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	June 30, 2021	December 31, 2020	Change
Debt to total assets	44.5%	44.6%	(10) bps
Weighted average mortgage interest rate	2.61%	2.69%	(8) bps
Weighted average years to debt maturity	4.3	4.6	(0.3) years
Interest coverage ratio	3.44x	3.36x	2.4%

Summary of Q2-2021 Results and Operations

Achieved Net Income of \$136.7 Million

Killam earned net income of \$136.7 million in Q2-2021, compared to \$21.5 million in Q2-2020. The increase in net income is primarily attributable to growth through acquisitions and completed developments and increased earnings from the existing portfolio as well as fair value gains on investment properties driven by cap-rate compression.

FFO per Unit Growth of 3.8% and AFFO per Unit Growth of 4.5%

Killam generated FFO per unit of \$0.27 in Q2-2021, 3.8% higher than \$0.26 per unit generated in Q2-2020. AFFO per unit increased 4.5% in Q2-2021 to \$0.23 compared to \$0.22 in Q2-2020. 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 7.1% increase in the weighted average number of units outstanding.

Strong Same Property NOI Growth of 4.5%

Killam achieved 4.5% growth in same property consolidated NOI and a 20 bps improvement in its operating margin during the quarter. This improvement was driven by 4.0% growth in same property revenue, partially offset by operating expense growth. A 3.1% increase in apartment rental rates and higher occupancy drove overall revenue growth. Operating expenses increased 3.3% as higher general operating expenses were partially offset by lower property tax expense and relatively flat utility costs.

Killam's same property apartment NOI increased 2.9% during Q2-2021, with St. John's and New Brunswick leading the growth (6.2% and 5.0%). MHC same property NOI, which accounts for 6.1% of total NOI, generated 11.4% growth from increased seasonal operations as COVID-19 related restrictions were reduced. Commercial same

property NOI, which accounts for 5.0% of total NOI, generated 22.8% growth in the quarter as a result of higher occupancy as well as lower bad debt expense and rent abatement related to COVID-19.

Rental Rate Growth on Unit Turns and Repositionings

Same property rental rates were up 3.1% as at June 30, 2021 versus June 30, 2020. Demand remains strong for units on turnover with Killam achieving 7.4% rental rate growth on unit turns and repositionings during the quarter. Lower rental rate increases on renewals were a consequence of provincial restrictions as a result of COVID-19. Overall, same property apartment revenue growth during the quarter was up 3.5%, with Halifax, New Brunswick and St. John's leading apartment performance, achieving apartment revenue increases of 4.8%, 4.4%, and 4.0%, respectively.

Expanded Geographic Diversification with \$190.5 Million Acquired in Kitchener-Waterloo

During Q2-2021, Killam acquired 785 units in Kitchener-Waterloo, ON, for \$190.5 million. This acquisition builds on Killam's existing presence in the Kitchener-Waterloo-Cambridge (KWC) market and aligns with Killam's strategic goals of accretive growth and geographic diversification. This portfolio has opportunity for suite repositionings, modern upgrades and energy efficiencies to further accelerate NOI growth. Also during the quarter, Killam acquired an additional 25% ownership interest in Charlottetown Mall for \$10.1 million and a 40-unit apartment building in St. John's, NL for \$4.2 million.

Substantial Development Activity Underway and Strong Contributions from Recent Completions

Killam continues to advance its development pipeline with five active developments underway, totalling 685 units (497 units representing Killam's percentage ownership) for an expected total investment of \$324.3 million (Killam's investment \$236.5 million). Year-to-date Killam has invested \$34.9 million in active development projects.

Killam's three recently completed developments totalling 349 units, being Nolan Hill, Shorefront and 10 Harley, continue to lease up quickly and contributed \$0.3 million in FFO growth during Q2-2021. These developments are fully leased and are expected to contribute FFO of over \$3.0 million on an annualized basis.

Cap-rate Compression and NOI Growth Support \$134 Million Fair Value Gain

Killam recorded \$134.1 million in fair value gains related to its investment properties in Q2-2021 supported by cap-rate compression in Victoria, Ontario and Halifax, and robust NOI growth driven by improved rental rates and strong apartment fundamentals. Killam's weighted average cap-rate for its apartment portfolio as at June 30, 2021, was 4.44%, a 23 bps improvement from December 31, 2020.

Lower Interest Rates Contribute to Earnings Growth

Killam benefited from lower interest rates on mortgage refinancings completed during the quarter. Killam refinanced \$14.4 million of maturing debt with \$22.8 million of new debt at a weighted average interest rate of 1.95%, 69 bps lower than the weighted average interest rate of the maturing debt.

COVID-19 Impact on Operations

Since the onset of the global pandemic in March 2020, Killam has focused on ensuring the continued health and safety of its employees, tenants, stakeholders and communities. Killam's rent collection remains strong with rent collection rates above 99%. To date, the pandemic has not resulted in any material change to Killam's operations or strategy. Details on Killam's financial impact from COVID-19 are included in Killam's 2020 Management Discussion and Analysis, available on SEDAR at www.sedar.com.

2.9% Distribution Increase

The Board of Trustees today approved a 2.9% increase in Killam's distribution on an annualized basis, to \$0.70 per unit from \$0.68 per unit. The monthly distribution will be \$0.05833 per unit, up from \$0.05667 per unit. The increase will apply to the September 2021 distribution, to be paid in October 2021.

Financial Summary (in thousands, except per unit amounts)

FFO are recognized as an industry-wide standard measure of a real estate entity's 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. 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 June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Property revenue	\$70,300	\$64,899	\$137,674	\$128,193
Net operating income	44,596	41,318	84,859	79,154
Fair value adjustments	126,614	(3,769)	134,470	9,865
Net income	136,672	21,509	164,094	60,011
Net income attributable to unitholders	136,669	21,504	164,089	60,003

Reconciliation of Net Income to FFO	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Net income	\$136,672	\$21,509	\$164,094	\$60,011
Fair value adjustments	(126,614)	3,769	(134,470)	(9,865)
Non-controlling interest	(3)	(5)	(5)	(8)
Internal commercial leasing costs	52	81	103	162
Deferred tax expense (recovery)	18,587	465	23,387	(2,654)
Interest expense on exchangeable units	681	698	1,378	1,390
Unrealized (gain) loss on derivative liability	(40)	52	(80)	495
Depreciation on owner-occupied building	27	40	54	83
Change in principal related to lease liabilities	7	8	14	16
FFO	\$29,369	\$26,617	\$54,475	\$49,630
FFO per unit - diluted	\$0.27	\$0.26	\$0.50	\$0.48

Financial Statements

Killam's condensed consolidated interim Financial Statements and Management's Discussion and Analysis for the three and six months ended June 30, 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, August 5, 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, and non-controlling interest. FFO is calculated in accordance with the REALPAC definition.
- 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. For Killam's commercial portfolio same property NOI is presented on a cash basis, as it excludes straight line rent. Same property results represent 87.4% of the fair value of Killam's investment property portfolio as at June 30, 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. Earnings before interest, tax, depreciation and amortization (EBITDA) is calculated by Killam as income before fair value adjustments, gains (losses) on disposition, income taxes, interest, depreciation and amortization.

See Killam's Q2-2021 Management's Discussion and Analysis for further details on these non-IFRS measures.

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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", "estimate", "potential", "continue", "remain", "forecast" 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, demand, construction, development and renovation and the timing thereof, the total investment in development projects and Killam's share thereof, renewals and leasing, return and cost per unit, available units and expected occupancy rates and the timing thereof, rental and expense growth expectations, opportunities related to new acquisitions, net operating income and FFO growth expectations, future net asset value expectations, and increased distributions and timing thereof.

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.