



August 9, 2023
Halifax, Nova Scotia

KILLAM APARTMENT REIT ANNOUNCES Q2-2023 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, 2023.

"Killam's second quarter operating performance delivered FFO per unit of \$0.30, a 7.1% increase from Q2-2022," noted Philip Fraser, President and CEO. "We continued to deliver on our strategic targets, including 7.9% same property NOI growth.

"With the completion of \$72.2 million in dispositions in the quarter, we are progressing well towards our target of selling \$100 million of non-core assets, and we expect to exceed our capital recycling target for 2023. Funds from dispositions were applied against our line of credit, strengthening Killam's balance sheet and increasing our capital flexibility; debt to total assets at June 30, 2023, was 43.1% — the lowest in Killam's history.

"Additionally, two of our active developments, Civic 66 and the Governor, reached substantial completion in early July. CMHC-insured permanent financing was placed on Civic 66 in July, further reducing our exposure to variable debt."

Q2-2023 Financial & Operating Highlights

- Reported net income of \$114.5 million, an increase of \$45.8 million compared to \$68.7 million in Q2-2022. The growth in net income is primarily attributable to \$96.2 million of fair value gains on investment properties in the period.
- Generated net operating income (NOI) of \$56.2 million, an 8.8% increase from \$51.7 million in Q2-2022.
- Earned funds from operations (FFO) per unit of \$0.30, a 7.1% increase from \$0.28 in Q2-2022.¹
- Increased adjusted funds from operations (AFFO) per unit by 8.3% to \$0.26, from \$0.24 in Q2-2022, and reduced the rolling 12-month AFFO payout ratio by 200 basis points (bps) to 73%, from 75% in Q2-2022.¹
- Achieved a 5.3% increase in revenue for the same property portfolio compared to Q2-2022.
- Generated 7.9% same property NOI growth.²

¹ FFO and AFFO 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."

² Same property NOI is a supplementary financial measure. An explanation of the composition of this measure can be found under the heading "Supplementary Financial Measures."

(000s)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change	2023	2022	Change
Property revenue	\$86,863	\$81,548	6.5%	\$171,758	\$159,012	8.0%
Net operating income	\$56,226	\$51,685	8.8%	\$107,041	\$96,948	10.4%
Net income	\$114,538	\$68,716	66.7%	\$197,998	\$128,743	53.8%
FFO ⁽¹⁾	\$36,207	\$34,078	6.2%	\$66,489	\$62,741	6.0%
FFO per unit (diluted) ⁽¹⁾	\$0.30	\$0.28	7.1%	\$0.55	\$0.53	3.8%
AFFO per unit (diluted) ⁽¹⁾	\$0.26	\$0.24	8.3%	\$0.46	\$0.44	4.5%
AFFO payout ratio – diluted ⁽¹⁾	69%	72%	(300) bps	76%	79%	(300) bps
AFFO payout ratio – rolling 12 months ⁽¹⁾	73%	75%	(200) bps			
Same property apartment occupancy ⁽²⁾	98.4%	98.0%	40 bps			
Same property revenue growth ⁽³⁾	5.3%			5.3%		
Same property NOI growth	7.9%			7.1%		

(1) FFO and AFFO are defined in "non-IFRS 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) Same property apartment occupancy is a supplementary financial measure. An explanation of the composition of this measure can be found under the heading "Supplementary Financial Measures."

(3) Same property revenue is a supplementary financial measure. An explanation of the composition of this measure can be found under the heading "Supplementary Financial Measures."

Debt Metrics as at	June 30, 2023	December 31, 2022	Change
Debt to total assets	43.1%	45.3%	(220) bps
Weighted average mortgage interest rate	2.94%	2.74%	20 bps
Weighted average years to debt maturity	4.0	3.8	0.2 years
Interest coverage ratio ⁽¹⁾	3.14x	3.31x	(5.1)%

(1) Interest coverage ratio is a non-IFRS ratio. An explanation of the composition of this measure can be found under the heading "Non-IFRS Ratios."

Summary of Q2-2023 Results and Operations

Earned Net Income of \$114.5 Million

Killam earned net income of \$114.5 million in Q2-2023 compared to \$68.7 million in Q2-2022. The increase in net income is primarily attributable to fair value gains on investment properties of \$96.2 million, compared to fair value gains of \$27.6 million in the same period in 2022. These gains were a direct result of strong NOI growth.

Same Property NOI Growth of 7.9%

Killam achieved a 7.9% increase in same property NOI during the quarter based on a 5.3% increase in same property revenue and a modest 0.7% increase in same property operating expenses. Revenue growth was driven by a 4.3% increase in apartment rental rates, coupled with a 40 bps increase in same property apartment occupancy and reduced rental incentives. General operating expenses increased 3.2% driven by higher wages and insurance costs, while property tax expense decreased 2.3%. Lower natural gas and oil pricing in Q2-2023 offset the majority of the higher electricity and water costs, resulting in a 0.5% increase in utility and fuel expenses, compared to the same period in 2022. Killam also achieved expansion in the operating margin of its same property portfolio, increasing 160 bps compared to Q2-2022.

7.1% FFO per unit Growth and 8.3% AFFO per Unit Growth

Killam achieved FFO per unit of \$0.30 in the quarter, a 7.1% increase from \$0.28 per unit in Q2-2022. AFFO per unit increased 8.3% to \$0.26, compared to \$0.24 in Q2-2022. The growth in FFO and AFFO was attributable to strong NOI growth from Killam's same property portfolio, coupled with incremental contributions from developments completed in 2022. This growth was partially offset by a 1.3% increase in the weighted average number of Trust Units outstanding, and higher interest expense as a result of rising interest rates.

Dispositions of Non-Core Assets to Strengthen Balance Sheet

Killam completed three dispositions in Q2-2023, including a 108-unit property located in Halifax for \$33.0 million, with net cash proceeds of \$20.1 million; a 102-unit property located in Ottawa for \$17.9 million, with net cash proceeds of \$12.5 million; as well as 122 units located in Charlottetown for \$21.3 million, with net cash proceeds of \$8.2 million. Cash proceeds were used to reduce Killam's credit facility and fund on-going developments. Killam has more dispositions planned for the remainder of 2023 and expects to exceed its fiscal 2023 capital recycling target of \$100.0 million.

Continued Advancement of Development Pipeline

Two developments reached substantial completion subsequent to quarter-end, totalling 181 units and a combined development cost of \$94.1 million. Killam has the Carrick, a 139-unit property in Waterloo under development, with a cost of \$83.5 million, to be completed in the first half of 2025. As of Q2-2023, Killam invested \$25.2 million in its active development projects, the majority of which was funded through construction financing. Further, Killam has a 10% interest in the second phase of the Nolan Hill development in Calgary. With a commitment to purchase the remaining 90% interest, Killam's total cost for the project will be \$65 million. This three-building project will be completed in phases, with the first building expected to be completed in September 2023 and the remaining two buildings expected to be completed in Q4-2023.

Focus on Reduced Leverage

During the first half of the year, debt to total assets decreased 220 bps, from 45.3% at December 31, 2022, to 43.1% at June 30, 2023. Since the beginning of the year, Killam's variable rate debt has been reduced by \$68.7 million, as funds from dispositions, mortgage refinancings, and general operations were used to reduce the balance on Killam's credit facility. Looking ahead, Killam expects to continue to reduce variable rate debt during the remainder of the year with funds from refinancings and dispositions. Overall, Killam's weighted average mortgage interest rate increased 20 bps at the end of Q2-2023 compared to December 31, 2022. The maturity dates of Killam's mortgages are staggered to help mitigate interest rate risk.

ESG Update

During the quarter, Killam invested \$2.8 million in energy initiatives. At the end of Q2-2023, Killam had 18 PV solar arrays producing power, with an expected 1,817 MWh of annual energy production. PV solar arrays, along with geothermal heating and cooling systems at Killam's new developments, illustrate Killam's ongoing commitment to lowering its carbon footprint. Additionally, Killam is installing Level II EV charging stations across its portfolio, with 260 charging stations operational at 39 properties to-date, plus an additional 108 charging stations underway at 13 different properties. Killam's 2022 ESG report was released on June 6, 2023, 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 targets.

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, 2023, 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.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 10, 2023, 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 at the same link for 7 days after the webcast.

The dial-in numbers for the conference call are as follows:
North America (toll free): 1-888-664-6392

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 \$5.0 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 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 financial 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.

- Funds from operations (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.
- Adjusted funds from operations (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.
- Per unit calculations are calculated using the applicable non-IFRS financial measures noted above, i.e. FFO and AFFO, divided by the basic or diluted number of units outstanding at the end of the relevant period.

Non-IFRS Ratios

- Interest coverage is calculated by dividing adjusted earnings before interest, tax, depreciation and amortization ("adjusted EBITDA") by mortgage, loan and construction loan interest and interest on credit facilities.

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 2023 and 2022. Similarly, same property revenue is a supplementary financial measure defined as revenue for stabilized properties that Killam has owned for equivalent periods in 2023 and 2022.
- 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 2023 and 2022. Same property results represent 96.7% of the fair value of Killam's investment property portfolio as at June 30, 2023. Excluded from same property results in 2023 are acquisitions, dispositions and developments completed in 2022 and 2023, 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,	
	2023	2022	2023	2022
Net income	\$114,538	\$68,716	\$197,998	\$128,743
Fair value adjustments	(93,848)	(45,573)	(157,213)	(83,334)
Non-controlling interest	(3)	(4)	(7)	(8)
Internal commercial leasing costs	90	75	180	150
Deferred tax expense	14,016	10,193	22,958	15,896
Interest expense on exchangeable units	682	701	1,364	1,402
Loss on disposition	729	—	1,079	—
Unrealized (gain) loss on derivative liability	(28)	(62)	68	(170)
Depreciation on owner-occupied building	25	26	51	51
Change in principal related to lease liabilities	6	6	11	11
FFO	\$36,207	\$34,078	\$66,489	\$62,741
FFO per unit – diluted	\$0.30	\$0.28	\$0.55	\$0.53

Reconciliation of FFO to AFFO	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
FFO	\$36,207	\$34,078	\$66,489	\$62,741
Maintenance capital expenditures	(5,072)	(4,819)	(10,198)	(9,552)
Commercial straight-line rent adjustment	(49)	(27)	52	(140)
Internal commercial leasing costs	(101)	(230)	(188)	(309)
AFFO	\$30,985	\$29,002	\$56,155	\$52,740
AFFO per unit – basic	\$0.26	\$0.24	\$0.46	\$0.44
AFFO per unit – diluted	\$0.26	\$0.24	\$0.46	\$0.44
AFFO payout ratio – diluted	69%	72%	76%	79%
AFFO payout ratio – rolling 12 months ⁽¹⁾	73%	75%		
Weighted average number of units – basic (000s)	121,279	119,765	121,087	118,688
Weighted average number of units – diluted (000s)	121,472	119,938	121,273	118,858

(1) Based on Killam's annual distribution of \$0.69996 for the 12-month period ended June 30, 2023, and \$0.69664 for the 12-month period ended June 30, 2022.

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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: the continued expansion of Killam's portfolio and the revenue and NOI generation and growth therefrom; strengthening the balance sheet; Killam's ability to exceed its capital recycling goal of \$100 million and the timing thereof; reducing exposure to variable debt

through permanent financing, refinancing and dispositions, and the timing thereof; planned dispositions in 2023; Killam's commitment to purchase the remaining 90% interest in the second phase of the Nolan Hill development; the completion, costs, capacity, total investment and timing of development projects and acquisitions; sources of financing for Killam's developments and the timing thereof; continued advancement of Killam's development pipeline; Killam's commitment to reducing its environmental impact and carbon footprint; the expected annual energy production of Killam's PV solar arrays; the installation of electric vehicle charging stations across Killam's portfolio and the timing thereof; 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, duration and government responses to the COVID-19 pandemic and other local or international events, and the effectiveness of measures intended to mitigate impacts thereof; competition; global, national and regional economic conditions, including inflationary pressures; the availability of capital to fund further investments in Killam's business; and the risks and uncertainties identified in Killam's most recently filed annual information form, as well as Killam's most recently filed MD&A and other documents Killam files from time to time with securities regulatory authorities in Canada, each of which are available at 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 Killam's 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 Killam's 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.