



May 3, 2023
Halifax, Nova Scotia

KILLAM APARTMENT REIT ANNOUNCES Q1-2023 OPERATING PERFORMANCE AND FINANCIAL RESULTS

Killam Apartment REIT (TSX: KMP.UN) ("Killam") today reported its results for the three months ended March 31, 2023.

"Killam's first quarter delivered strong operating performance and financial results, with FFO per unit growth of 4.2% compared to Q1-2022," noted Philip Fraser, President and CEO. "Fundamentals in our core markets are stronger than ever. Looking forward, we expect our portfolio to maintain healthy revenue and NOI growth.

"Killam initiated its capital recycling program, and year-to-date, we have completed \$42.8 million of dispositions, generating \$27.1 million of net cash proceeds. Our focus on dispositions in 2023 aligns with our goal of recycling assets to maximize long-term value creation and strengthen our balance sheet. I am pleased to report that we are on track to exceed our capital recycling goal of \$100 million in 2023.

"In addition, we are pleased with the progress on our development projects and the successful lease-up of three developments we completed in 2022. Killam's development program is extensive and an important component of our long-term growth plan."

Q1-2023 Financial & Operating Highlights

- Reported net income of \$83.5 million, an increase of \$23.5 million compared to \$60.0 million in Q1-2022. The growth in net income is primarily attributable to \$66.8 million of fair value gains on investment properties in the period.
- Generated net operating income (NOI) of \$50.8 million, a 12.3% increase from \$45.3 million in Q1-2022.
- Earned funds from operations (FFO) per unit (diluted) of \$0.25, a 4.2% increase from \$0.24 in Q1-2022.¹
- Increased adjusted funds from operations (AFFO) per unit (diluted) by 5.0% to \$0.21, from \$0.20 in Q1-2022, and reduced the rolling 12 month AFFO payout ratio (diluted) by 200 basis points (bps) to 74%, from 76% in Q1-2022.¹
- Achieved a 5.4% increase in revenue for the same property portfolio compared to Q1-2022.
- Generated same property NOI growth of 6.3% compared to Q1-2022.²

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."

(000's)	<i>Three months ended March 31,</i>		
	2023	2022	Change
Property revenue	\$84,895	\$77,464	9.6%
Net operating income	\$50,815	\$45,263	12.3%
Net income	\$83,460	\$60,027	39.0%
FFO ⁽¹⁾	\$30,283	\$28,665	5.6%
FFO per unit (diluted) ⁽¹⁾	\$0.25	\$0.24	4.2%
AFFO per unit (diluted) ⁽¹⁾	\$0.21	\$0.20	5.0%
AFFO payout ratio – diluted ⁽¹⁾	84%	87%	(300) bps
AFFO payout ratio – rolling 12 months ⁽¹⁾	74%	76%	(200) bps
Same property apartment occupancy ⁽²⁾	98.6%	97.8%	80 bps
Same property revenue growth ⁽³⁾	5.4%		
Same property NOI growth	6.3%		

(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."

<i>Debt Metrics as at</i>	March 31, 2023	December 31, 2022	Change
Debt to total assets	44.6%	45.3%	(70) bps
Weighted average mortgage interest rate	2.80%	2.74%	6 bps
Weighted average years to debt maturity	3.8	3.8	– years
Interest coverage ratio ⁽¹⁾	3.20x	3.31x	(3.3)%

(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 Q1-2023 Results and Operations

Earned Net Income of \$83.5 Million

Killam earned net income of \$83.5 million in Q1-2023 compared to \$60.0 million in Q1-2022. The increase in net income is primarily attributable to fair value gains on investment properties of \$66.8 million, compared to fair value gains of \$28.0 million in the same period in 2022. These gains were a result of strong NOI growth.

Revenue Growth Drives Same Property NOI Growth of 6.3%

Killam generated 6.3% growth in same property NOI during Q1-2023, compared to Q1-2022. This was driven by 5.4% growth in same property revenue from a combined 4.0% increase in apartment rental rates, 80 bps increase in same property apartment occupancy, and increased ancillary revenue. Property operating expenses increased 4.1% in the quarter. Higher natural gas pricing and a 5.8% increase in same property general operating expenses, driven by higher wages and contract service costs, was partially offset by a 2.9% decrease in property tax expense. Killam also achieved expansion in the operating margin of its same property portfolio, up 50 bps compared to Q1-2022.

Achieved 4.2% FFO per Unit Growth and 5.0% AFFO per Unit Growth

Killam delivered FFO per unit of \$0.25 in the quarter, a 4.2% increase from \$0.24 per unit in Q1-2022. AFFO per unit increased 5.0% to \$0.21 (\$0.20 in Q1-2022). The growth in FFO and AFFO was attributable to strong net operating income growth, partially offset by higher interest expense and a 2.8% increase in the weighted average number of units outstanding.

Disposing Select Assets to Enhance Value and Strengthen Balance Sheet

Killam completed its first disposition in Q1-2023, selling a 43-unit apartment property located in Ottawa for \$9.8 million, with net cash proceeds of \$7.0 million. Subsequent to quarter end, on April 21, 2023, Killam completed the

disposition of a 108-unit property located in Halifax for \$33.0 million, with net cash proceeds of \$20.1 million. Killam has more dispositions planned for the remainder of 2023 and expects to exceed its fiscal 2023 capital recycling target of \$100 million.

Continued Advancement of Development Pipeline

Killam continues to advance its development pipeline, with two developments nearing completion and one ongoing project, totalling 320 units and an expected combined development cost of \$177.5 million. During Q1-2023, Killam invested \$11.3 million in its active development projects, the majority of which were funded through construction financing.

Focus on Reduced Leverage with 26% Reduction in Variable Rate Debt

During the first quarter, debt to total assets decreased 70 bps from 45.3% to 44.6%, and variable rate debt was reduced by \$55.2 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 with funds from additional refinancings and dispositions during the second and third quarters. In addition, construction financing for the Latitude development in Ottawa was repaid with permanent Canada and Mortgage Housing Corporation (CMHC)-insured financing. Killam expects permanent financing for three additional developments to be in place between the second and third quarters of 2023 and to reduce the balance on Killam's credit facility further as disposition transactions are completed. Overall, Killam's weighted average mortgage interest rate increased a nominal 6 bps at the end of Q1-2023 compared to December 31, 2022, as the maturity dates of Killam's mortgages are staggered to help mitigate interest rate risk.

ESG Update

During Q1-2023, Killam invested \$1.2 million in energy initiatives. At the end of the quarter, Killam had 18 photovoltaic (PV) solar arrays producing power, with an expected 1,817 MWh of annual energy production. This is the equivalent amount of energy to supply 343 apartment units with electricity annually, based on the average consumption per unit in Killam's apartment portfolio. 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 rolling out Level II electric vehicle charging stations across its portfolio, with 187 charging stations installed at 30 properties to date, plus an additional 103 charging stations at 12 different properties underway.

Financial Statements

Killam's condensed consolidated interim Financial Statements and Management's Discussion and Analysis (MD&A) for the three months ended March 31, 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.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 4, 2022, 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 real estate investment trusts, owning, operating, managing and developing a \$4.9 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 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) 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 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 97% of the fair value of Killam's investment property portfolio as at March 31, 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 March 31,	
	2023	2022
Net income	\$83,460	\$60,027
Fair value adjustments	(63,365)	(37,761)
Non-controlling interest	(4)	(3)
Internal commercial leasing costs	90	75
Deferred tax expense	8,942	5,703
Interest expense on exchangeable units	682	701
Loss on disposition	350	—
Unrealized loss (gain) on derivative liability	96	(108)
Depreciation on owner-occupied building	26	25
Change in principal related to lease liabilities	6	6
FFO	\$30,283	\$28,665
FFO per unit – diluted	\$0.25	\$0.24

Reconciliation of FFO to AFFO	Three months ended March 31,	
	2023	2022
FFO	\$30,283	\$28,665
Maintenance capital expenditures	(5,127)	(4,733)
Commercial straight-line rent adjustment	101	(114)
Internal commercial leasing costs	(87)	(79)
AFFO	\$25,170	\$23,739
AFFO per unit – basic	\$0.21	\$0.20
AFFO per unit – diluted	\$0.21	\$0.20
AFFO payout ratio – diluted	84%	87%
AFFO payout ratio – rolling 12 months⁽¹⁾	74%	76%
Weighted average number of units – basic (000s)	120,893	117,598
Weighted average number of units – diluted (000s)	121,072	117,765

(1) Based on Killam's annual distribution of \$0.69996 for the 12-month period ended March 31, 2023, and \$0.69166 for the 12-month period ended March 31, 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; focusing on

dispositions and recycling assets; maximizing long-term growth and strengthening the balance sheet; Killam's ability to achieve or exceed its capital recycling goal of \$100 million and the timing thereof; planned dispositions in 2023; the completion, costs, capacity, total investment and timing of development projects and acquisitions; sources of financing for Killam's developments and the timing thereof; the reduction of the balance on Killam's credit facility; 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 ability of Killam's development program to deliver anticipated portfolio growth; 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 international events, and the effectiveness of measures intended to mitigate impacts thereof; competition; global, national and regional economic conditions, including inflationary pressures; 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, 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 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.