



November 5, 2019
Halifax, Nova Scotia

KILLAM APARTMENT REIT ANNOUNCES STRONG Q3-2019 OPERATING PERFORMANCE AND FINANCIAL RESULTS

Killam Apartment REIT (TSX: KMP.UN) ("Killam") today reported its results for the three and nine months ended September 30, 2019.

Q3-2019 Financial & Operating Highlights

- Reported net income of \$46.8 million compared to \$27.1 million in Q3-2018.
- Generated net operating income ("NOI") of \$41.3 million, a 13.3% increase from \$36.5 million in Q3-2018.
- Earned funds from operations ("FFO") per unit (diluted) of \$0.27, a 3.8% increase from Q3-2018, and adjusted funds from operations ("AFFO") per unit (diluted) of \$0.23, a 4.5% increase from Q3-2018.
- Achieved a 3.4% increase in the weighted average same property rental rate in Q3-2019, continuing to gain momentum over the last seven quarters, from 1.8% at Q4-2017.
- Realized apartment occupancy of 97.3%, compared to 96.9% in Q3-2018, a 40 basis point ("bps") improvement.
- Generated same property NOI growth of 4.5% over Q3-2018 and increased the NOI margin by 60 bps to 66.0%.
- Recognized fair value gains on investment properties of \$35.8 million, reflecting higher rental rates and cap-rate compression in the Halifax market.

(000's)	<i>Three months ended September 30,</i>			<i>Nine months ended September 30,</i>		
	2019	2018	Change	2019	2018	Change
Property revenue	\$62,834	\$55,532	13.1%	\$179,064	\$157,919	13.4%
Net operating income	\$41,349	\$36,484	13.3%	\$112,404	\$98,823	13.7%
Net income	\$46,839	\$27,120	72.7%	\$156,719	\$130,899	19.7%
FFO ⁽¹⁾	\$26,247	\$23,355	12.4%	\$68,888	\$61,198	12.6%
FFO per unit (diluted) ⁽¹⁾	\$0.27	\$0.26	3.8%	\$0.73	\$0.71	2.8%
AFFO per unit (diluted) ⁽¹⁾	\$0.23	\$0.22	4.5%	\$0.59	\$0.58	1.7%
AFFO payout ratio (diluted) ⁽¹⁾⁽²⁾	72%	73%	(100) bps	83%	83%	— bps
Same property apartment occupancy ⁽³⁾	97.3%	96.9%	40 bps	97.2%	96.7%	50 bps
Same property revenue growth	3.7%			3.5%		
Same property net operating income growth	4.5%			4.1%		

(1) FFO and AFFO are defined in "Non-IFRS Measures" below. A reconciliation between net income and FFO is included on page 27 of the Q3-2019 Management Discussion and Analysis. A reconciliation from FFO to AFFO is included on page 28 of the Q3-2019 Management Discussion and Analysis.

(2) AFFO payout ratio calculation is based on the rolling 12-month.

(3) Occupancy represents actual residential rental revenue, net of vacancy, as a percentage of gross potential residential rent.

Debt Metrics As At	September 30, 2019	December 31, 2018	Change
Debt to total assets	47.2%	49.8%	(260) bps
Weighted average mortgage interest rate	2.91%	2.95%	(4) bps
Weighted average years to debt maturity	4.6	4.4	0.2 years
Interest coverage ratio	3.19x	3.22x	(0.9)%

Summary of Q3-2019 Results and Operations

Achieved Net Income of \$46.8 Million

Killam achieved net income of \$46.8 million in Q3-2019 compared to \$27.1 million in Q3-2018. The increase in net income is primarily attributable to fair value gains on investment properties, growth through acquisitions and increased earnings from the existing portfolio, offset by increased financing costs and deferred tax expense.

Delivered Unitholders Value through FFO per Unit Growth of 3.8% and AFFO per Unit Growth of 4.5%

Killam generated FFO per unit of \$0.27 in Q3-2019, 3.8% higher than the \$0.26 per unit generated in Q3-2018. FFO 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 7.7% increase in the weighted average number of units outstanding from Killam's \$86.3 million equity issuance in March 2019.

AFFO per unit increased 4.5% in Q3-2019 to \$0.23 compared to \$0.22 in Q3-2018. The increase in AFFO per unit is attributable to Killam's same property NOI growth, accumulative acquisitions and developments, and the addition of newer, high-quality assets to the portfolio, which require lower maintenance capital.

Same Property NOI Growth of 4.5%

Killam achieved 4.5% growth in same property NOI and a 60 bps improvement in its operating margin during the quarter. This improvement was driven by strong rental rate growth and improved occupancy. Operating expenses increased 2.1%, as higher property tax and general operating expenses were offset by a reduction in utility costs. Killam's same property apartment NOI increased 4.4% during the third quarter, with Ontario and Halifax leading the NOI growth (7.8% and 5.5%). New Brunswick markets also performed well, generating 4.3% NOI growth during the quarter.

Rental Rate Growth of 3.4% Enhanced Top Line Performance

Same property revenue increased 3.7%, compared to Q3-2018, as a result of a 3.4% increase in the average rental rate for the apartment portfolio, a 40 bps increase in average apartment occupancy, a decrease in rental incentives and 4.3% top-line growth within the MHC portfolio. With continued high occupancy levels, increasing rental rates is a key focus for revenue optimization.

Same property rental rate growth has accelerated over the last seven quarters, from 1.8% in Q4-2017 to 3.4% in Q3-2019. Rental rate increases on unit turns and lease renewals averaged 5.7% and 2.1%, up from 4.6% and 1.7% a year earlier. Ontario and Halifax led the apartment performance, both achieving year-over-year same property apartment revenue increases of 5.1%.

Successful Repositioning Program Continues to Generate Above-average Returns

During Q3-2019, repositionings generated monthly rental lifts averaging \$280 per unit (30% increase), an 11% increase over the average increase of \$253 per unit (24% increase) during 2018. The average return on investment ("ROI") on unit repositionings during the third quarter was approximately 13%, based on an average renovation cost of \$26,500 per unit. Year-to-date, Killam has invested \$5.0 million in repositionings and has completed 251 units. Management expects to meet its target of 300 repositionings for 2019. These repositionings are expected to generate an additional \$1.0 million in NOI on an annualized basis, and \$20 million in NAV growth.

Strong NOI Growth Supported Fair Value Gains

Killam recorded \$35.8 million in fair value gains related to its investment properties during the quarter (\$133.7 million for the nine months ended September 30, 2019) as a result of robust NOI growth driven by increasing rental rates and strong apartment fundamentals across Killam's core markets as well as cap-rate compression in Halifax. Killam's weighted average cap-rates for its apartment and MHC portfolios at September 30, 2019 were 4.99% and 5.63%, a decrease of 16 bps and 113 bps compared to December 31, 2018.

Substantial Development Activity Underway

The Alexander and Saginaw Park developments, completed in 2018, and the Frontier development, completed in June 2019, contributed positively to FFO per unit growth in Q3-2019, together adding \$0.9 million to FFO.

Killam continues to make progress on its current developments, investing \$17.9 million during Q3-2019. Killam's Shorefront development is expected to be completed in mid-2020. The second phase of Killam's Gloucester City Centre development, Latitude, which broke ground during Q2-2019, contains 209 units and is actively underway. This project is expected to be completed by mid-2021.

During the quarter, Killam broke ground on The Kay, a 128-unit building in Mississauga, ON. The budget for this development is \$56.0 million, with an expected all-cash yield of 5.0%, approximately a 125-175 bps premium over the market cap-rate for a similar quality asset.

Management's Comments

"We are pleased to report another quarter of strong operating and financial results" noted Philip Fraser, President and CEO. "We have made significant progress on our three strategic priorities and we are ending 2019 with earnings growth momentum and strong market fundamentals.

With high occupancy and increasing rental rates, we have achieved same property NOI growth of 4.1% year-to-date and are on track to meet our 2019 same property NOI growth target. In addition, we have completed \$145 million of acquisitions so far this year, adding high-quality product in Calgary, Mississauga, Fredericton, Charlottetown and Moncton.

Yesterday, we closed a \$100 million equity offering and repaid Killam's outstanding line of credit, continuing to delever our balance sheet. This equity provides us with additional capital flexibility and increases our acquisition capacity to over \$300 million. With an active acquisition pipeline, we expect to continue to execute on our acquisition strategy of expanding the portfolio and diversifying geographically."

Financial Summary (in thousands, except per unit amounts)

FFO are 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 September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Property revenue	\$62,834	\$55,532	\$179,064	\$157,919
Net operating income	41,349	36,484	112,404	98,823
Fair value adjustments	30,075	9,594	114,921	91,818
Net income	46,839	27,120	156,719	130,899
Net income attributable to unitholders	46,834	27,121	156,705	130,887

Reconciliation of Net Income to FFO	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Net income	\$46,839	\$27,120	\$156,719	\$130,899
Fair value adjustments	(30,075)	(9,594)	(114,921)	(91,818)
Loss on disposition	235	—	1,229	183
Non-controlling interest	(5)	1	(14)	(12)
Internal commercial leasing costs	79	66	238	66
Deferred tax expense	8,698	5,207	23,358	20,055
Interest expense related to exchangeable units	685	609	2,042	1,826
Insurance proceeds	(268)	—	(268)	—
Unrealized loss (gain) on derivative liability	(11)	(86)	302	(116)
Depreciation on owner-occupied building	38	32	108	115
Change in principal related to lease liabilities	32	—	95	—
FFO	\$26,247	\$23,355	\$68,888	\$61,198
FFO unit - diluted	\$0.27	\$0.26	\$0.73	\$0.71

Financial Statements

Killam's condensed consolidated interim Financial Statements and Management's Discussion and Analysis for the three and nine months ended September 30, 2019, are posted under Financial Reports in the Investor Relations section of Killam's website at www.killamreit.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 Wednesday, November 6, 2019, at 12:00 PM 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): 1-888-390-0605

Overseas or local (Toronto): 1-416-764-8609

Profile

Killam Apartment REIT, based in Halifax, Nova Scotia, is one of Canada's largest residential landlords, owning, operating, managing and developing a \$3.1 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 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 are calculated in accordance with the REALpac definition, except for the adjustment of insurance proceeds as noted above; 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.
- Same property results in relation to Killam are revenues and property operating expenses for stabilized properties that Killam has owned for equivalent periods in 2019 and 2018. Same property results represent 84.3% of the fair value of Killam's investment property portfolio as at September 30, 2019. Excluded from same property results in 2019 are acquisitions, dispositions and developments completed in 2018 and 2019, 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 the Q3-2019 Management's Discussion and Analysis for further details on these non-IFRS measures.

For information, please contact:

Nancy Alexander, CPA, CA

Senior Director, Investor Relations & Performance Analytics

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 report may constitute forward-looking statements relating to our operations and the environment in which we operate, which are based on our expectations, estimates, forecast and projections, which we believe are reasonable as of the current date. Such forward-looking statements involve risks, uncertainties and other factors which may cause actual results, performance or achievements of Killam to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. For more exhaustive information on these risks and uncertainties, you should refer to our most recently filed annual information form which is available at 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 statements.