



February 16, 2022
Halifax, Nova Scotia

KILLAM APARTMENT REIT ANNOUNCES STRONG Q4-2021 AND 2021 OPERATING PERFORMANCE AND FINANCIAL RESULTS

Killam Apartment REIT (TSX: KMP.UN) ("Killam") is pleased to report its results for the fourth quarter and year ended December 31, 2021.

"We are pleased to report our Q4 and 2021 financial results. We achieved strong financial and operational performance, realizing the positive results of executing on our three strategic priorities," noted Philip Fraser, President and CEO. "Demand for housing across the country is robust, driving favorable market fundamentals. This strong housing demand, coupled with our suite repositioning program, produced net revenue growth of 4.0% for the year. When combined with our sharp focus on managing operating expenses, we realized 5.1% growth in same property net operating income in 2021."

"We finished 2021 with a record high of \$399 million in acquisitions during the year and we are maintaining positive momentum as we start 2022," stated Mr. Fraser. "Following the closing of our recent \$98 million equity raise in early February 2022, we have acquisition capacity of over \$400 million and a growing acquisition pipeline."

"Growth in the year ahead will be augmented by the expected completion of \$168 million of development projects, adding another 328 high-quality units to our portfolio. This will mark the largest year of development completions in Killam's history. With a \$69 million project to be completed in early 2023 and a pipeline of almost 4,000 additional units, we expect developments to contribute to earnings and net asset value growth for many years."

Q4 Financial & Operating Highlights

- Reported net income of \$74.8 million, an increase of \$26.2 million compared to \$48.6 million in Q4-2020, due to higher fair value gains on investment properties recognized in Q4-2021.
- Achieved a 4.8% increase in same property revenue and a 5.7% increase in same property net operating income ("NOI") over Q4-2020.¹
- Realized a 160 bps improvement in same property apartment occupancy, achieving 98.1% occupancy in the quarter, the highest Q4 occupancy in Killam's history.
- Earned funds from operations ("FFO") per unit (diluted) of \$0.27, and adjusted funds from operations ("AFFO") per unit (diluted) of \$0.22, an 8.0% and 4.8% increase from Q4-2021.²

2021 Financial & Operating Highlights

- Reported net income of \$285.5 million, an increase of \$139.5 million compared to \$146.0 million in 2020, due primarily to higher fair value gains on investment properties recognized in 2021.
- Generated NOI of \$183.2 million, an 11.8% increase from \$163.9 million in 2020.

¹ Same property revenue, same property net operating income and same property apartment occupancy are supplementary financial measures. An explanation of the composition of these measures can be found under "Supplementary Financial Measures".

² FFO and AFFO are non-IFRS measures that do not have a standardized meaning according to IFRS and therefore may not be comparable to similar measures presented by other companies. For information regarding non-IFRS measures, including reconciliations to the most comparable IFRS measure, see "Non-IFRS Measures".

- Increased AFFO per unit (diluted) by 8.4% to \$0.90, compared to \$0.83 in 2020, and increased FFO per unit (diluted) by 7.0% to \$1.07, compared to \$1.00 in 2020.
- Generated same property NOI growth of 5.1% during 2021.
- Achieved a 4.0% increase in same property revenue in 2021 resulting from a 3.0% increase in the average apartment same property rental rate and a 50 bps increase in apartment same property occupancy.
- Maintained a conservative and flexible balance sheet, ending the year with debt as a percentage of assets of 45.0%.

(000's)	<i>Three months ended December 31,</i>			<i>Twelve months ended December 31,</i>		
	2021	2020	Change	2021	2020	Change
Property revenue	\$76,998	\$66,845	15.2%	\$290,917	\$261,690	11.2%
Net operating income ⁽¹⁾	\$47,921	\$41,496	15.5%	\$183,235	\$163,854	11.8%
Net income	\$74,801	\$48,563	54.0%	\$285,527	\$146,040	95.5%
FFO ⁽²⁾	\$30,514	\$26,537	15.0%	\$119,235	\$104,678	13.9%
FFO per unit (diluted) ⁽²⁾	\$0.27	\$0.25	8.0%	\$1.07	\$1.00	7.0%
AFFO per unit (diluted) ⁽²⁾	\$0.22	\$0.21	4.8%	\$0.90	\$0.83	8.4%
AFFO payout ratio (diluted) ⁽²⁾	78%	83%	(500) bps	76%	82%	(600) bps
Same property apartment occupancy ⁽³⁾	98.1%	96.5%	160 bps	97.2%	96.7%	50 bps
Same property revenue growth	4.8%			4.0%		
Same property NOI	5.7%			5.1%		

(1) Killam reclassified salary expenses of \$0.8 million from "administration" to "operating expenses" to reflect the nature of these expenses for the three months and year ended December 31, 2020.

(2) FFO and AFFO are defined in "Non-IFRS Measures". A reconciliation between net income and FFO and a reconciliation from FFO to AFFO are included below.

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

<i>Debt Metrics As At</i>	December 31, 2021	December 31, 2020	Change
Debt to total assets	45.0%	44.6%	40 bps
Weighted average mortgage interest rate	2.58%	2.69%	(11) bps
Weighted average years to debt maturity	4.0	4.6	(0.6) years
Interest coverage ratio	3.53x	3.36x	17 bps

Summary of 2021 Results and Operations

Largest Acquisition Year in Killam's History

In 2021, Killam had a record year for acquisitions, acquiring \$399.4 million in properties, bringing its total investment property portfolio to \$4.5 billion. Killam added 1,597 apartment units to its portfolio, expanding its geographic diversification, with 78% of acquisitions in 2021 located outside of Atlantic Canada, principally in Ontario and Alberta. Killam's geographic diversification strategy is succeeding, as the percentage of NOI generated outside of Atlantic Canada is now 33%, up from 32% in 2020.

Delivered FFO per Unit Growth of 7.0% and AFFO per Unit Growth of 8.4%

FFO per unit was \$1.07 in 2021, a 7.0% increase from \$1.00 in 2020, and AFFO per unit increased 8.4% to \$0.90, compared to \$0.83 in 2020. The growth in FFO and AFFO were primarily 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 6.8% increase in the weighted average number of units outstanding.

Revenue Gains Drive Same Property NOI Growth of 5.1%

Killam achieved 5.1% same property NOI growth during the year, with a 4.1% increase from the apartment portfolio, a 17.6% increase from the commercial portfolio and a 9.3% increase from the MHC portfolio. Revenue growth of 4.0% was driven by rental rate growth from all three business segments along with a 50 bps increase in apartment occupancy. Operating expense growth remained modest as operating and energy efficiencies, lower utility costs and successful property tax assessment appeals helped mitigate inflationary cost pressures.

Strong Rent Growth and Cap-rate Compression Support \$240 Million in Fair Value Gains

Killam recorded \$239.7 million in fair value gains related to its investment properties in 2021, supported by cap-rate compression across most of the regions in which Killam operates, most notably in New Brunswick and Ontario, as well as robust NOI growth driven by strong apartment fundamentals. Killam's weighted average cap-rate for its apartment portfolio as at December 31, 2021 was 4.41%, a 26 bps reduction from December 31, 2020.

Invested in Substantial Development Activity

Killam advanced its development pipeline, completing one 38-unit project early in 2021 (which is fully occupied) and investing an additional \$73.0 million in its five active development projects. These projects total 685 units (497 units representing Killam's percentage ownership) for a total investment of \$238.8 million. Four of the active projects are expected to be completed in 2022.

Lower Interest Rates Contributed to Earnings Growth

Killam benefited from lower interest rates on mortgages refinanced in 2021. During the year, Killam refinanced \$132.0 million of maturing mortgages with \$184.5 million of new debt at a weighted average interest rate of 2.13%, 24 bps lower than the weighted average interest rate of the maturing debt. Lower interest expense on Killam's same property portfolio contributed to FFO per unit growth in 2021.

Substantial Advancement in Environmental, Social and Governance (ESG) Focused Initiatives

Killam continues to reduce its environmental impact and ensure its buildings are sustainable and resilient to climate change. In 2021, Killam invested \$8.2 million in energy projects, which included \$1.9 million in geothermal installations at three of its development projects. As well, Killam installed photovoltaic solar panels, modern boilers, heat pumps and electricity and water conservation measures. Killam also introduced building certifications at its properties with a focus on health living standards in 2021 benefiting both Killam and its tenants.

Summary of Q4-2021 Results

Killam generated FFO per unit of \$0.27 and AFFO per unit of \$0.22 in Q4-2021, an increase of 8.0% and 4.8% from Q4-2020. Acquisitions and completed developments, same property NOI growth of 5.7% and a reduction in same property interest expense contributed to Q4-2021 FFO and AFFO growth. These increases to FFO per unit and AFFO per unit were offset by a 6.8% increase in the weighted average number of units outstanding following an equity raise completed in May 2021.

Same property revenue increased 4.8% in Q4-2021, compared to Q4-2020, due to a 3.0% increase in the average apartment rental rate, a 160 bps increase in apartment occupancy and 11.0% and 3.6% top-line growth within Killam's commercial and MHC portfolios. Operating expenses for Q4-2021 were 3.3% higher than Q4-2020 due to inflationary pressures and higher commodity pricing for heating fuels. In total, same property NOI for Q4-2021 was 5.7% higher than in Q4-2020.

Financial Statements

Killam's Annual Consolidated Financial Statements including the notes thereto and its Annual Management's Discussion and Analysis (the "MD&A") for the year ended December 31, 2021, are posted under Financial Reports in the Investor Relations section of Killam's website at www.killamreit.com and are each filed 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, February 17, 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 \$4.5 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, AFFO and/or ACFO, divided by the basic or diluted number of units outstanding at the end of the relevant period.

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 2021 and 2020. Same property results represent 85.0% of the fair value of Killam's investment property portfolio as at December 31, 2021. Excluded from same property results in 2021 are acquisitions, dispositions and developments completed in 2020 and 2021, and non-stabilized commercial properties linked to development projects.
- Same property average rent is calculated by taking a weighted average of the total residential rent for the last month of the reporting period, divided by the relevant number of the units per region for stabilized properties that Killam has owned for equivalent periods in 2021 and 2020. For total residential rents, rents for occupied units are based on contracted rent and rents for vacant units are based on estimated market rents if the units were occupied.
- Interest coverage is calculated by dividing adjusted EBITDA by mortgage, loan and construction loan interest and interest on credit facilities. Normalized adjusted EBITDA is calculated by Killam as adjusted EBITDA that has been normalized for a full year of stabilized earnings from recently completed acquisitions and developments, on a forward-looking basis.
- Debt to normalized adjusted EBITDA is calculated by dividing interest-bearing debt (net of cash) by normalized adjusted EBITDA.

Non-IFRS Reconciliation (in thousands, except per unit amounts)

Reconciliation of Net Income to FFO	Three months ended December 31,		Year ended December 31,	
	2021	2020	2021	2020
Net income	\$74,801	\$48,563	\$285,527	\$146,040
Fair value adjustments	55,811	(29,514)	211,708	(54,620)
Non-controlling interest	(4)	(3)	(13)	(16)
Internal commercial leasing costs	147	51	302	264
Deferred tax expense	10,716	6,717	42,393	9,566
Interest expense on exchangeable units	701	697	2,766	2,784
Net insurance proceeds	—	—	—	—
Loss on disposition	—	—	—	—
Unrealized (gain) loss on derivative liability	(69)	(6)	(167)	483
Depreciation on owner-occupied building	26	24	106	146
Change in principal related to lease liabilities	7	8	29	31
FFO	\$30,514	\$26,537	\$119,235	\$104,678
FFO per unit - diluted	\$0.27	\$0.25	\$1.07	\$1.00

Reconciliation of FFO to AFFO	Three months ended December 31,		Year ended December 31,	
	2021	2020	2021	2020
FFO	\$30,514	\$26,537	\$119,235	\$104,678
Maintenance capital expenditures	(4,666)	(4,271)	(18,023)	(16,860)
Commercial straight-line rent adjustment	(47)	(109)	(356)	(555)
Internal commercial leasing costs	(132)	(145)	(418)	(447)
AFFO	\$25,669	\$22,012	\$100,438	\$86,816
AFFO per unit – basic	\$0.22	\$0.21	\$0.90	\$0.83
AFFO per unit – diluted	\$0.22	\$0.21	\$0.90	\$0.83
AFFO payout ratio – diluted	78%	83%	76%	82%
AFFO payout ratio – rolling 12 months ⁽¹⁾	76%	83%		
Weighted average number of units – basic (000s)	114,408	107,139	111,465	104,340
Weighted average number of units – diluted (000s)	114,571	107,300	111,626	104,503

(1) Based on Killam's annual distribution of \$0.6867 for the year ended December 31, 2021, and \$0.6767 for the year ended December 31, 2020.

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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; acquisition capacity; expected growth relative to Killam's historical growth; the completion and timing of development projects; the total investment in development projects; demand; reducing Killam's environmental impact; and the benefits of building certifications and efficient and healthy operating and living standards.

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, including vaccines; 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, 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. 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.