February 13, 2018
Halifax, Nova Scotia

KILLAM APARTMENT REIT ANNOUNCES Q4 and 2017 RESULTS, 3.2% DISTRIBUTION INCREASE AND $39 MILLION OF ACQUISITIONS

Killam Apartment REIT (TSX: KMP.UN) ("Killam") today reported its results for the fourth quarter and year ended December 31, 2017.

2017 Financial Highlights

- Generated net operating income ("NOI") of $115.2 million, a 9.3% increase from $105.4 million in 2016.
- Reported net income of $104.8 million compared to $71.4 million million in the prior year, due to strong operating performance, contributions from acquisitions and fair value gains on investment properties.
- Earned funds from operations ("FFO") per unit of $0.90, a 4.7% increase from the prior year.
- Increased adjusted funds from operations ("AFFO") per unit 9.1% to $0.72, compared to $0.66 in 2016, and reduced AFFO payout ratio to 86%, from 91% in 2016.
- Achieved same property NOI growth of 3.6% over 2016.
- Improved interest coverage to 3.13x from 2.70x at December 31, 2016.

	Three months ended December 31,			*Twelve months ended December 31,*		
	2017	2016	Change	**2017**	2016	Change
Property revenue	**$48,579**	$44,137	10.1%	**$187,377**	$175,269	6.9%
Net operating income	**$29,747**	$26,372	12.8%	**$115,220**	$105,424	9.3%
Net income	**$37,850**	$4,638	716.1%	**$104,760**	$71,439	46.6%
FFO (1)	**$18,066**	$15,223	18.7%	**$69,873**	$58,886	18.7%
FFO per unit (diluted) (1)	**$0.22**	$0.21	4.8%	**$0.90**	$0.86	4.7%
AFFO per unit (diluted) (1)	**$0.18**	$0.16	12.5%	**$0.72**	$0.66	9.1%
AFFO payout ratio (diluted) (1)	**86%**	92%	(600) bps	**86%**	91%	(500) bps
Same property apartment occupancy (2)	**97.5%**	96.1%	140 bps	**96.5%**	95.9%	60 bps
Same property revenue growth	**3.9%**			**2.6%**		
Same property net operating income growth	**4.9%**			**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 2017 Management Discussion and Analysis. A reconciliation from FFO to AFFO is included on page 26 of the 2017 Management Discussion and Analysis.

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

As at December 31,	**2017**	2016	Change
Debt to total assets	**48.7%**	53.5%	(480) bps
Weighted average mortgage interest rate	**2.91%**	3.01%	(10) bps
Weighted average years to debt maturity	**4.0**	4.3	(0.3) years
Interest coverage ratio	**3.13x**	2.70x	15.9%

Operational Highlights

Higher Rents and Improved Occupancy Drive Same Property Revenue Growth

Same property revenue increased 2.6% compared to 2016 due to a 60 basis point increase in average occupancy and a 1.8% increase in the average rental rate for the apartment portfolio, as well as 3.1% top-line growth within the MHC portfolio. With experienced property management and leasing teams and positive apartment fundamentals, Killam's same property apartment portfolio achieved 96.5% occupancy for 2017. Performance was particularly strong in New Brunswick, Charlottetown and Halifax, where same property apartment revenues increased by 4.0%, 2.9% and 2.6%, compared to 2016. Same property results are defined in the non-IFRS measures below.

Same Property NOI growth of 3.6% Augmented by Expense Management

Killam's same property total operating expenses increased only 1.0% for the year ended December 31, 2017, compared to 2016, contributing to the 3.6% increase in same property NOI. Utility and fuel expenses for 2017 were down 5.7% compared to 2016, due to lower fuel, electricity and water consumption as a result of recent efficiency initiatives, as well as a reduction in the pricing for natural gas in Nova Scotia and electricity in Ontario. These savings largely offset inflationary general operating expense pressures and a 5.5% increase in property taxes.

Lower Interest Rates Contributed to Earnings Growth

Killam benefited from lower interest rates on mortgages refinanced in 2017, contributing to a 4.0% reduction in same property mortgage interest expense year over year. In total, Killam refinanced $69.7 million of maturing mortgages during 2017 with $101.7 million of new debt at a weighted average interest rate of 2.61%, 106 basis points lower than the weighted average rate of the maturing debt.

Acquisitions and Developments

Killam purchased over $200 million of properties in 2017. Killam acquired eight buildings for $184 million, adding approximately 850 total units, in Calgary, Edmonton, Halifax, London and Ottawa. The weighted average age of the properties acquired was three years. Killam also invested $12 million in development sites in Edmonton and Ottawa that have potential for an additional 600 units. Over 75% of the capital deployed in 2017 was in Alberta and Ontario as Killam executed on its strategy of increasing the portion of NOI generated outside Atlantic Canada. Based on its current portfolio, over 25% of Killam's NOI is forecasted to be generated outside Atlantic Canada, compared to 23% in 2017.

Summary of Q4-2017 Results

Killam generated FFO per unit of $0.22 in Q4-2017, a 4.8% increase over $0.21 in Q4-2016. Similar to the results for the year, growth was attributable to higher earnings from the same property portfolio, lower interest expense from refinancings and the Q2-2017 repayment of convertible debentures, and growth from acquisitions and developments. These gains were partially offset by a 12.5% increase in the weighted average units outstanding and higher administrative costs.

Same property revenue increased 3.9% in Q4-2017, compared to Q4-2016, due to a 1.8% increase in the average rental rate and a 140 bps increase in occupancy for the apartment portfolio and 3.9% top-line growth within the manufactured home community portfolio. Performance was strongest in New Brunswick and Halifax, where revenues increased by 6.4% and 4.0%. Operating expenses for the fourth quarter were 2.5% higher than the same period in 2016 as operating cost inflation and rising property taxes more than offset a 4.1% reduction in utility and fuel expenses from lower consumption due to efficiency investments and warmer weather. In total, same property NOI for Q4-2017 was 4.9% higher than in Q4-2016, and the operating margin improved 60 bps to 60.6%.

3.2% Distribution Increase

The Board of Trustees has approved a 3.2% increase in Killam's annual distribution, to $0.64 per unit from $0.62 per unit. The monthly distribution will be $0.05333 per unit, up from $0.05167 per unit. The increase is effective for the March 2018 distribution, to be paid in April 2018.

$39 Million of Acquisitions in Q1-2018

Killam reached agreements to invest $39 million in two properties during the first quarter of 2018. The first acquisition is a recently completed, twelve-storey, 110-unit apartment building located on the Dartmouth side of the Halifax waterfront. This $33 million purchase is expected to close by the end of February. The second property, a 1.8 acre development site in downtown Kitchener which includes a small commercial building and a heritage house, will be acquired for $6 million. This property is zoned to allow for a new 141-unit development and the transaction is scheduled to close in mid-March.

Management's Comments

"2017 was a very successful year for Killam," noted Philip Fraser, President and CEO. "We made progress towards all three of our strategic priorities. The portfolio delivered strong results, with same property NOI increasing by 3.6% compared to 2016. We acquired $200 million of apartments and development sites and increased the portion of NOI generated outside Atlantic Canada. In addition, Killam increased financial flexibility by issuing $154 million of equity that was used to reduce debt and fund growth. With the growth in the business, Killam was added to the S&P/TSX Composite Index in December 2017, a significant milestone for the REIT, and a positive conclusion to the year."

"We are optimistic about 2018. Same property NOI should grow between 1 - 2% as our leasing and property management teams build on momentum from 2017. The portion of NOI generated outside Atlantic Canada is expected to exceed 25% with a full-year contribution from recent additions. We will continue to grow through acquisitions and the $39 million of announced transactions puts us on track to achieving our target of a minimum of $125 million in 2018. We expect to break ground on at least one new development during the year and complete the Saginaw Park and The Alexander developments," stated Mr. Fraser.

Financial Summary (in thousands, except per unit amounts)

The following chart provides Killam's consolidated financial highlights for the three and twelve month periods ending December 31, 2017, and 2016, per International Financial Reporting Standards (IFRS). A reconciliation of net income to FFO is also provided. FFO is an industry-standard measure of real estate entities' operating performance, and REALpac, Canada's national industry association for owners and managers of investment real estate, has recommended guidelines for the calculation of FFO based on IFRS. Killam calculates FFO in accordance with the REALpac definition, with the exception of the add-back of REIT conversion costs. 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	***Three months ended December 31,***		***Twelve months ended December 31,***	
(unaudited)	**2017**	**2016**	**2017**	**2016**
Property revenue	**$48,579**	$44,137	**$187,377**	$175,269
Net operating income	**29,747**	26,372	**115,220**	105,424
Fair value adjustments	**28,046**	(1,668)	**56,202**	(11,231)
Net income	**37,850**	4,638	**104,760**	71,439
Net income attributable to unitholders	**37,832**	4,645	**104,732**	67,982

Reconciliation of Net Income to FFO	***Three months ended December 31,***		***Twelve months ended December 31,***	
	2017	**2016**	**2017**	**2016**
Net income	**$37,850**	$4,638	**$104,760**	$71,439
Fair value adjustments	**(28,046)**	1,657	**(56,202)**	11,231
Loss on disposition	**20**	—	**259**	264
Non-controlling interest	**(4)**	7	**(28)**	(531)
Deferred tax expense (recovery)	**7,637**	8,467	**18,659**	(27,598)
Interest expense related to exchangeable units	**599**	580	**2,383**	2,659
Unrealized gain on derivative liability	**(35)**	(412)	**(362)**	(297)
Depreciation on owner-occupied building	**45**	46	**168**	171
REIT conversion costs	**—**	240	**236**	1,548
FFO	**$18,066**	$15,223	**$69,873**	$58,886
FFO unit - diluted	**$0.22**	$0.21	**$0.90**	$0.86

Financial Statements

Killam's Consolidated Financial Statements and Management's Discussion and Analysis for the year ended December 31, 2017, are posted under Financial Reports in the Investor Relations section of Killam's website at www.killamreit.com. This news release should be read in conjunction with our audited consolidated financial statements as well as our Management's Discussion and Analysis for the year ended December 31, 2017.

Results Conference Call

Management will host a webcast and conference call to discuss these results and current business initiatives on Wednesday, February 14, 2018, at 11:00 AM ET. 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 90 days after the webcast at the same link.

The dial-in numbers for the conference call are as follows:
North America (toll free): 1-866-521-4909, passcode 2266557
Overseas or local (Toronto): 1-647-427-2311, passcode 2266557

Profile

Killam Apartment REIT, based in Halifax, Nova Scotia, is one of Canada's largest residential landlords, owning, operating, managing and developing a $2.3 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 below 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.

- 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, REIT conversion costs and non-controlling interest. FFO are calculated in accordance with the REALpac definition, except for the adjustment of REIT conversion costs as noted above.
- AFFO, and applicable per unit amounts and payout ratios, are calculated by Killam as FFO less $900 per apartment unit (2016 - $970) and $300 per MHC site (2016 - $225) for maintenance capital costs, representing a three-year rolling historical average capital spend to maintain and sustain Killam's properties. 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 Killam has owned for equivalent periods in 2017 and 2016 (94% of the portfolio based on the December 31, 2017 unit count).
- Interest coverage is calculated by dividing earnings before interest, tax, depreciation, gain or loss on disposition and fair value adjustments by interest expense adjusted for interest expense related to exchangeable units.

See the 2017 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 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.*