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Halifax, Nova Scotia

KILLAM APARTMENT REIT ANNOUNCES CONTINUED GROWTH WITH STRONG Q2-2019 OPERATING PERFORMANCE AND THE COMPLETION OF $134 MILLION OF ACQUISITIONS

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

Q2-2019 Financial & Operating Highlights

- Reported net income of $82.8 million compared to $34.9 million in Q2-2018.
- Generated net operating income ("NOI") of $37.5 million, a 10.6% increase from $33.9 million in Q2-2018.
- Earned funds from operations ("FFO") per unit (diluted) of $0.25 and adjusted funds from operations ("AFFO") per unit (diluted) of $0.20 for the quarter.
- Achieved a 3.2% increase in the weighted average same property rental rate in Q2-2019, accelerating over the last six quarters, from 1.8% at Q4-2017.
- Realized apartment occupancy of 97.1%, compared to 96.6% in Q2-2018, a 50 basis point ("bps") improvement and the highest second quarter occupancy in Killam's history.
- Generated same property NOI growth of 3.7% over Q2-2018 and increased the NOI margin by 20 bps to 63.5%.
- Completed $134.4 million in acquisitions.
- Completed its 228-unit joint venture development, Frontier, in Ottawa and started phase II, Latitude, a 209-unit joint venture development.

	Three months ended June 30,			***Six months ended June 30,***		
(000's)	**2019**	2018	Change	**2019**	2018	Change
Property revenue	**$59,139**	$52,937	11.7%	**$116,230**	$102,386	13.5%
Net operating income	**$37,510**	$33,916	10.6%	**$71,055**	$62,340	14.0%
Net income	**$82,789**	$34,864	137.5%	**$109,880**	$103,778	5.9%
FFO (1)	**$23,752**	$21,035	12.9%	**$42,640**	$37,842	12.7%
FFO per unit (diluted) (1)	**$0.25**	$0.25	—%	**$0.45**	$0.45	—%
AFFO per unit (diluted) (1)	**$0.20**	$0.20	—%	**$0.36**	$0.36	—%
AFFO payout ratio (diluted) (1) (2)	**81%**	79%	200 bps	**90%**	88%	200 bps
Same property apartment occupancy (3)	**97.1%**	96.6%	50 bps			
Same property revenue growth	**3.5%**			**3.4%**		
Same property net operating income growth	**3.7%**			**4.0%**		

(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 Q2-2019 Management Discussion and Analysis. A reconciliation from FFO to AFFO is included on page 28 of the Q2-2019 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	**June 30, 2019**	December 31, 2018	Change
Debt to total assets	**47.7%**	49.8%	(210) bps
Weighted average mortgage interest rate	**2.95%**	2.95%	— bps
Weighted average years to debt maturity	**4.6**	4.4	0.2 years
Interest coverage ratio	**3.21x**	3.22x	(0.3)%

Summary of Q2-2019 Results and Operations

Same Property NOI Growth of 3.7% and Improved Operating Margin

Killam achieved 3.7% growth in NOI and a 20 bps improvement in its operating margin during the quarter. This growth was driven by a 3.2% increase in rental rates and 50 bps improvement in occupancy. Operating expenses increased 3.1% due primarily to higher natural gas prices coupled with increased fuel consumption as a result of colder spring temperatures. Killam's same property apartment NOI increased 3.9% during the second quarter, with Ontario and Halifax leading the NOI growth at 5.9% and 5.5%. New Brunswick markets also performed well, generating 5.0% NOI growth in the quarter.

Rental Rate Growth of 3.2% Augmenting Top Line Performance

Same property revenue increased 3.5%, compared to Q2-2018, as a result of a 3.2% increase in the average rental rate for the apartment portfolio, a 50 bps increase in average apartment occupancy, a decrease in rental incentives and 2.0% 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 six quarters, from 1.8% at Q4-2017 to 3.2% at Q2-2019. Rental rate increases on unit turns and lease renewals averaged 5.6% and 2.0%, up from 4.5% and 1.6% a year earlier. Ontario and Halifax led the apartment performance, where same property apartment revenues increased by 5.1% and 4.6%, compared to Q2-2018.

Successful Repositioning Program Continues to Generate Above Average Returns

During Q2-2019, completed repositionings generated monthly rental lifts averaging $280 per unit (30% lift), an 11% increase over the average lift of $253 per unit (24% lift) during 2018. The average return on investment ("ROI") on unit repositionings during the second quarter was approximately 13%, based on an average cost of $26,500 per unit. To date, Killam has invested $2.7 million in repositionings and expects to meet its target of 300 repositionings by the end of 2019. These repositionings could generate an additional $1.0 million in NOI on an annualized basis and $20 million in NAV growth.

Cap-rate Compression and Rental Rate Growth Generate Fair Value Gains

Killam recorded $70.4 million in fair value gains related to its investment properties during the quarter ($97.8 million for the six months ended June 30, 2019) as a result of NOI strength driven by rental rate growth, and cap-rate compression in its MHC and Ontario apartment portfolios. Killam's weighted average cap-rate for its apartment and MHC portfolios at June 30, 2019 was 5.05% and 5.62%, a decrease of 10 bps and 114 bps compared to December 31, 2018. The fair value gains are supported by growth in rental rates, strong apartment fundamentals across Killam's core markets, recent comparable transactions for MHC properties, and continued downward pressure on cap-rates across the industry.

FFO and AFFO per Unit in Line with Q2-2018

Killam generated FFO per unit of $0.25 and $0.45 for the three and six months ended June 30, 2019, consistent with results for the comparable periods of 2018. FFO was $23.8 million in Q2-2019, a 12.9% increase over Q2-2018, offset by a 12.4% increase in the weighted average number of units outstanding from an aggregate of $143.8 million in equity issued in June 2018 and March 2019.

FFO growth was attributable to increased NOI from strong same property performance, plus incremental contributions from recent acquisitions and completed developments. This growth was partially offset by short-term equity dilution from the timing of deployment of funds raised for acquisitions and $0.7 million of timing differences and one-time costs (including $0.5 million in timing of energy costs, which is expected to reverse in Q4, and $0.2 million in marketing costs associated with the lease-up of the Frontier).

Frontier Development Completed and Contributing to NAV Growth
Phase I of Killam's 228-unit joint development project, Frontier, located in Ottawa, reached substantial completion in June 2019 and is currently 75% leased. Killam expects the building to be fully leased by the end of 2019 at rents 11% above the original pro forma. The project was completed at an expected yield of 5.25%, a 100-125 bps premium over the market cap-rate, leading Killam to recognize $6.9 million in fair value gains on this property during the quarter. Overall, Killam has recognized $9.2 million in fair value gains on the Frontier development to-date.

The Alexander and Saginaw Park developments completed in 2018 both contributed positively to FFO per unit growth in Q2-2019, together contributing $1.1 million to increased FFO. Killam continues to make progress on two additional developments, investing $2.9 million during Q2-2019. Killam's Shorefront development located in Charlottetown, PE, with green features of sub-metered water and a solar photovoltaic power generating panel, is progressing on schedule. This 78-unit building is expected to be completed by mid-2020. During Q2-2019, Killam also broke ground on the second phase of the jointly-owned Gloucester City Centre development in Ottawa, Latitude, which like Phase I, has sub-metered water and a geothermal heating and cooling system.

$134 Million of Acquisitions Increase Portfolio to Over $3.0 Billion
Killam completed $134 million of acquisitions during Q2, including $73.5 million for the remaining 50% interest in three properties, including Grid 5 (a 307-unit building located in Calgary), Silver Spear (a 199-unit building located in Mississauga) and the development site for a 128-unit apartment adjacent Silver Spear. Identifying an opportunity to generate NAV growth, Killam acquired a 50% interest in the Charlottetown Mall, for $23.8 million, representing a 6.7% all cash yield. Charlottetown Mall is a stabilized, grocery-anchored, enclosed mall which is located on 32 acres in the heart of Prince Edward Island’s busiest retail node with future multi-family development opportunities of up to 300 units. In addition, Killam closed on the previously announced $8.3 million purchase of a newly constructed 59-unit apartment building in Fredericton on April 18, 2019, for an all cash yield of 5.8%.

On June 27, 2019, Killam purchased a 127-unit apartment and 45,500 square feet commercial complex in the fast growing area of Dieppe for $28.9 million. This Moncton property consists of three four-storey wood frame residential apartment buildings, a mixed-use building with retail and residential, and an IGA-branded anchored grocery store. The purchase also included 2.5 acres of vacant land for future residential development. The buildings are all relatively new with the residential buildings built between 2011 and 2017. The residential occupancy is 99% and the average rent is $1,143 ($1.03 per square foot). The mixed-use concrete building was completed in 2009 and the grocery store in 2007.

Q3-2019 Acquisitions
Killam expects to close a new, four-storey, wood-frame apartment building in Fredericton, New Brunswick in mid-August. The property contains 48 units and 48 underground parking stalls and the purchase price is $9.25 million ($193,000 per unit). The all cash yield is 5.4% and the building is currently 100% occupied. The building appeals primarily to empty-nesters and seniors, and there is a waiting list for available units. Lian Street is located in a new, quiet, residential area in uptown Fredericton, with shopping destinations within a short commute of the building.

Management's Comments

"We are pleased to report another quarter of strong operating performance and portfolio growth through both acquisitions and developments" noted Philip Fraser, President and CEO. "We are on track with our financial plan for the year and expect to show healthy per unit growth during the second half of 2019 as we recognize contributions from $122 million of acquisitions completed in May and June.

We have been focused on optimizing revenues and are seeing the positive result of key initiatives with accelerating rental rate growth. Increased use of data analytics combined with our new Customer Relationship Management (CRM) system has empowered our leasing and property management teams to quickly respond to the highest demand in Killam's history. In addition, our accelerated repositioning program is on track, and achieving returns above our original expectations. We are increasing the capital investment in our properties to maximize their earnings potential.

Killam's development program is proving its value with the completion of Frontier in Ottawa. We completed the development with an expected yield 125 bps ahead of market cap-rates, resulting in $9 million in fair value gains to date, and more expected upon stabilization. The two developments completed in 2018, The Alexander and Saginaw Park, contributed positively to earnings growth in Q2. With two developments currently underway and a pipeline of opportunities moving forward through the planning phase, developments will continue to be an important part of our growth and value creation."

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. 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)	***Three months ended June 30,***		***Six months ended June 30,***	
(000's)	**2019**	2018	**2019**	2018
Property revenue	**$59,139**	$52,937	**$116,230**	$102,386
Net operating income	**37,510**	33,916	**71,055**	62,340
Fair value adjustments	**73,062**	19,958	**84,845**	82,224
Net income	**82,789**	34,864	**109,880**	103,778
Net income attributable to unitholders	**82,782**	34,858	**109,870**	103,764

Reconciliation of Net Income to FFO	***Three months ended June 30,***		***Six months ended June 30,***	
	2019	2018	**2019**	2018
Net income	**$82,789**	$34,864	**$109,880**	$103,778
Fair value adjustments	**(73,062)**	(19,958)	**(84,845)**	(82,224)
Loss on disposition	**994**	—	**994**	183
Non-controlling interest	**(7)**	(6)	**(10)**	(14)
Internal commercial leasing costs	**79**	—	**159**	—
Deferred tax expense	**12,088**	5,480	**14,660**	14,849
Interest expense related to exchangeable units	**685**	613	**1,357**	1,218
Unrealized loss (gain) on derivative liability	**118**	1	**312**	(31)
Depreciation on owner-occupied building	**36**	41	**71**	83
Change in principal related to lease liabilities	**32**	—	**63**	—
FFO	**$23,752**	$21,035	**$42,640**	$37,842
FFO unit - diluted	**$0.25**	$0.25	**$0.45**	$0.45

Financial Statements

Killam's condensed consolidated interim Financial Statements and Management's Discussion and Analysis for the three and six months ended June 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, August 14, 2019, 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 14 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 and non-controlling interest. FFO are calculated in accordance with the REALpac definition.
- 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 86% of the fair value of Killam's investment property portfolio as at June 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 Q2-2019 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.*