



May 9, 2018
Halifax, Nova Scotia

KILLAM APARTMENT REIT REPORTS CONTINUED GROWTH WITH STRONG Q1-2018 RESULTS

Killam Apartment REIT (TSX: KMP.UN) ("Killam") today reported its results for the first quarter ended March 31, 2018.

Q1-2018 Financial Highlights

- Reported net income of \$68.9 million compared to \$17.7 million in Q1-2017, due to strong operating performance, contributions from acquisitions and fair value gains on investment properties.
- Generated net operating income ("NOI") of \$28.4 million, a 14.0% increase from \$24.9 million in Q1-2017.
- Earned funds from operations ("FFO") per unit of \$0.20, a 5.3% increase from Q1-2017.
- Increased adjusted funds from operations ("AFFO") per unit 14.3% to \$0.16, compared to \$0.14 in Q1-2017.
- Achieved same property NOI growth of 4.8% over Q1-2017.
- Improved interest coverage to 3.21x from 3.13x at December 31, 2017.

(000's)	<i>Three months ended March 31,</i>		
	2018	2017	Change
Property revenue	\$49,449	\$44,305	11.6%
Net operating income	\$28,423	\$24,942	14.0%
Net income	\$68,914	\$17,650	290.4%
FFO ⁽¹⁾	\$16,807	\$13,666	23.0%
FFO per unit (diluted) ⁽¹⁾	\$0.20	\$0.19	5.3%
AFFO per unit (diluted) ⁽¹⁾	\$0.16	\$0.14	14.3%
AFFO payout ratio (diluted) ^{(1) (2)}	85%	90%	(500) bps
Same property apartment occupancy ⁽³⁾	96.8%	95.5%	130 bps
Same property revenue growth	4.0%		
Same property net operating income growth	4.8%		

(1) FFO and AFFO are defined in non-IFRS measures below. A reconciliation between net income and FFO is included on page 21 of the Q1-2018 Management Discussion and Analysis. A reconciliation from FFO to AFFO is included on page 23 of the Q1-2018 Management Discussion and Analysis.

(2) AFFO 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.

As at	March 31, 2018	December 31, 2017	Change
Debt to total assets	50.2%	48.7%	150 bps
Weighted average mortgage interest rate	2.91%	2.91%	—
Weighted average years to debt maturity	4.3	4.0	0.3 years
Interest coverage ratio	3.21x	3.13x	2.6%

Summary of Q1-2018 Results and Operations

Increase in FFO per Unit of 5.3% on Strong Same Property Performance

Killam generated FFO per unit of \$0.20 in Q1-2018, 5.3% higher than \$0.19 generated in Q1-2017. FFO growth was attributable to increased NOI generated by the same property portfolio, lower interest expense associated with the repayment of the \$46 million convertible debentures in April 2017, recent acquisitions and interest savings on mortgage refinancings. This growth was partially offset by a 15.8% increase in the weighted average number of units outstanding from an aggregate \$154.1 million of equity issued in March and November 2017.

AFFO per Unit Growth of 14.3%

AFFO per unit increased 14.3% in Q1-2018 to \$0.16 compared to \$0.14 in Q1-2017. The increase in AFFO per unit was attributable to growth in same property NOI, interest savings and the addition of newer high-quality assets to the portfolio which require lower maintenance capital.

Rental Rate Increases and Occupancy Gains Drove 4.0% Same Property Revenue Growth

Same property revenue increased 4.0% compared to Q1-2017 as a result of a 130 bps increase in average apartment occupancy, a 2.2% increase in the average rental rate for the apartment portfolio, a 30 bps decrease in rental incentives and 2.1% top-line growth within the MHC portfolio. With continued high occupancy levels, increasing rental rates is a key focus for revenue growth. Increases on unit turns and lease renewals averaged 5.0% and 1.5%, during the quarter. New Brunswick and Halifax lead the apartment performance, where same property apartment revenues increased by 6.4% and 4.1%, compared to Q1-2017.

Robust Same Property NOI growth of 4.8%

Killam's same property total operating expenses increased only 3.0% during Q1-2018, contributing to the 4.8% growth in NOI. The first quarter typically has the highest volatility in heating costs, and during Q1-2018, utility and fuel expenses were up 8.6% quarter-over-quarter. The increase was primarily due to higher natural gas prices in New Brunswick and Halifax, coupled with increased fuel consumption as a result of colder temperatures in January across the portfolio. Killam saw a decrease in both electricity and water expenses as a result of electricity rate reductions in Ontario and reduced utility consumption following capital investments in water and energy efficiency programs. Killam was also successful in reducing property operating expenses by 60 bps through various cost management initiatives and in limiting the property tax expense increase to 1.5% through continued assessment appeals.

Fair Value Gains of \$61 Million

Killam recorded \$61 million of fair value gains related to its investment property portfolio during the quarter. This increase reflects a 12 bps reduction in the weighted average cap rate to 5.25% for Killam's apartment portfolio. The fair value gains are supported by strong apartment fundamentals across Killam's core markets and continued downward pressure on cap-rates across the industry.

\$124 Million of Acquisitions Support Portfolio Growth

Killam completed \$124 million of acquisitions during Q1-2018, including a prime mixed-use office and retail complex with surplus land ideal for multi-family development in Waterloo, ON, for \$77.8 million. This property includes a grocery-anchored retail plaza and a four-storey office complex and land for residential development. Killam also closed on a newly constructed 12-storey, 110-unit, apartment building located in Halifax, NS, for \$33.0 million and a 1.8 acre development site in Kitchener, ON, for \$6.0 million.

Killam also acquired a 40% interest in a downtown Calgary development site for \$7.2 million (\$18 million for 100%) with its Grid 5 partners. The site is adjacent to Killam's 307-unit Grid 5 apartment building (50% interest) and is located immediately adjacent to another development site in which Killam already owns a 40% interest. Killam and its partners expect to build three multi-family, high-rise buildings with up to 1,000 units on the combined sites over the next five years.

Saginaw Park Development Substantially Complete

Killam's development, Saginaw Park, located in Cambridge, ON, had its first tenants move in during March 2018. The building reached substantial completion in April 2018 and is currently 65% leased and is expected to be fully leased within six months of opening. Management recorded a \$2.6 million fair value gain related to the Saginaw development during the quarter.

Lower Interest Rates Contributed to Earnings Growth

Killam benefited from lower interest rates on mortgages refinanced in Q1-2018, contributing to a 2.4% reduction in same property mortgage interest expense quarter-over-quarter. In total, Killam refinanced \$20.5 million of maturing mortgages with \$32.1 million of new debt at a weighted average interest rate of 3.21%, 34 basis points lower than the weighted average rate of the maturing debt.

Management's Comments

"We're pleased to report strong Q1-2018 results" noted Philip Fraser, President and CEO. "Strong market fundamentals coupled with our quality property management team are driving revenue growth across the portfolio. We reported a 2.2% average increase in rents in Q1-2018, which is 70 basis points higher than our Q1-2017 rental increases. In addition, our occupancy levels are amongst the highest in Killam's history. Following a successful first quarter, and optimism looking forward, we have increased our NOI growth forecast for the year from 1%-2% to 2%-4%."

"Our strategy of expanding our portfolio of newer assets is paying off, with a 14% increase in AFFO per unit. These newer assets require limited capital spend, are in strong demand, and have higher operating margins than older properties. We are pleased to expand our portfolio of new assets with the recent completion of Saginaw Gardens and the soon to be completed 'The Alexander' development in September 2018."

"Acquisitions remain an important part of Killam's growth plans and Q1 was active on the acquisition front. We added \$124 million of assets to our portfolio, including a mixed-use office and retail complex in Waterloo with development potential for 560 multi-residential units and a new 110-unit condo-quality property in Halifax. With these acquisitions completed, we have already met our minimum acquisition target for the year, and expect to complete an additional \$25 - \$75 million in acquisitions in 2018. We will continue to look for opportunities to grow the portfolio and diversify geographically."

Financial Summary (in thousands, except per unit amounts)

The following chart provides Killam's consolidated financial highlights for the three month periods ending March 31, 2018, and 2017, 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 (unaudited) (000's)	Three months ended March 31,	
	2018	2017
Property revenue	\$49,449	\$44,305
Net operating income	28,423	24,942
Fair value adjustments	62,266	7,866
Net income	68,914	17,650
Net income attributable to unitholders	68,907	17,645
Reconciliation of Net Income to FFO (000's)	Three months ended March 31,	
	2018	2017
Net income	\$68,914	\$17,650
Fair value adjustments	(62,266)	(7,866)
Loss on disposition	183	—
Non-controlling interest	(7)	(5)
Deferred tax expense	9,369	3,088
Interest expense related to exchangeable units	604	586
Unrealized (gain) loss on derivative liability	(32)	26
Depreciation on owner-occupied building	42	34
REIT conversion costs	—	153
FFO	\$16,807	\$13,666
FFO unit - diluted	\$0.20	\$0.19

Financial Statements

Killam's condensed consolidated interim Financial Statements and Management's Discussion and Analysis for the three months ended March 31, 2018, 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 Thursday, May 10, 2018, at 1:00 PM EDT. 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 95978088

Overseas or local (Toronto): 1-647-427-2311, passcode 95978088

Profile

Killam Apartment REIT, based in Halifax, Nova Scotia, is one of Canada's largest residential landlords, owning, operating, managing and developing a \$2.5 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 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 an allowance 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 that Killam has owned for equivalent periods in 2018 and 2017. Same property results represent 84% of the fair value of Killam's investment property portfolio as at March 31, 2018 (94.9% of apartment units and 100% of MHC sites). Excluded from same property results in 2018 are acquisitions, dispositions and developments completed in 2017 and 2018 as well as non-stabilized commercial properties linked to development projects.
- 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 Q1-2018 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.