

PRESS RELEASE

For Immediate Distribution

KILLAM PROPERTIES INC.

Halifax, Nova Scotia

May 2, 2006

KILLAM PROPERTIES INC. ANNOUNCES 2006 FIRST QUARTER RESULTS.

Killam Properties Inc. (TSX:KMP/KMP.DB) is pleased to announce its financial and operating results for the first quarter ended March 31, 2006. Killam's portfolio grew from 11,429 rental units at the start of the year to 12,170 apartment and manufactured home units at March 31, 2006. During the first quarter of 2006, Killam completed seven acquisitions totaling 741 units and at March 31, 2006, Killam owned 7,046 apartment units and 5,124 manufactured home units representing 83% and 17% of its capital assets, respectively.

Total assets at the end of the first quarter grew by 80.8% to \$513.2 million, up from \$283.8 million at March 31, 2005, and up from \$469.5 million at December 31, 2005. Killam's first quarter 2006 acquisition pace of \$35.2 million in properties compares favourably to the same quarter in 2005 when \$38.7 million in properties were acquired.

Funds from operations for the first quarter of 2006 increased to \$2.1 million or \$0.03 per share (\$0.03 per share fully diluted) compared to \$1.6 million (\$0.02 per share or \$0.02 per share fully diluted) in the first quarter 2005. Funds from operations (FFO) is a generally accepted measure of operating performance of real estate companies; however, it is a non-GAAP measurement and readers are cautioned that Killam's calculation of FFO may be different than that used by other companies. Killam calculates FFO as net income plus amortization, non-cash interest expense, non-cash share compensation expense and future income tax expenses (recovery).

It should be noted that the FFO generated in the first quarter is not indicative of Killam's potential cash flow generation for the full year for several reasons, including:

- Property acquisitions made in the first quarter did not contribute for the entire period.
- Killam's first quarter results are adversely impacted by typical seasonality of higher operating expenses, especially utilities, during the winter season. Management estimates that approximately 55% of its annual oil and gas consumption occurs during the first quarter. In addition, snow removal and power expenses are greater in the first quarter than any other quarter.

Killam recorded a net loss of \$1.2 million in the first quarter 2006, related to the recording of \$2 million in amortization (a non-cash expense) on its buildings, compared to a net loss of \$61,818 for first quarter 2005 (\$1.1 million building amortization).

Financial highlights include:

<u>As for the quarter ended March 31</u>	<u>Q1 2006</u>	<u>Q1 2005</u>	<u>% Change</u>
Revenue	\$16,285,167	\$8,870,567	84%
Funds from operations.....	\$2,057,690	\$1,596,803	29%
Net loss	(\$1,205,266)	(\$61,818)	n/a
Total assets	\$513,193,382	\$283,750,702	81%
Shareholders' equity	\$93,682,784	\$77,914,113	20%

On March 31, 2006, Killam's portfolio had achieved an overall occupancy level of 97.3%. The apartment portfolio had an occupancy level of 96% with an average monthly rent of \$670, and the manufactured home community portfolio had an occupancy level of 99%, with an average monthly rent of \$205. Approximately 290 additional vacant units were undergoing renovation, and therefore unavailable for renting.

	<u>Units</u>	<u>Vacancy</u>	<u>Average Rent</u>
<i>APARTMENTS</i>			
NOVA SCOTIA	3,628	2.89%	\$702
NEW BRUNSWICK	2,151	5.85%	\$676
NEWFOUNDLAND	679	3.9%	\$546
PRINCE EDWARD ISLAND	588	5.18%	\$710
<i>MANUFACTURED HOME COMMUNITIES</i>			
	5,124	1.00%	\$191

Philip Fraser, President and Chief Executive Officer, noted: "Killam's first quarter results are in line with management's expectations and are consistent with prior years. We continue to grow our asset base, revenues, and funds from operations and our operational platform should deliver sustained and accretive growth throughout 2006. I am excited by the opportunity we have to expand a number of our manufactured home communities and expect to record a number of home sales in the third and fourth quarters of this year. This opportunity, coupled with the sale of at least two surplus land parcels, will positively impact our funds from operations this year. As well, Killam is actively pursuing numerous investments and we are in various stages of negotiations, or under contract with, approximately \$125 million of properties. We expect to announce these acquisitions over the coming weeks and months."

Financial Statements

For convenience, this press release includes the Company's March 31, 2006 financial statements and notes including first quarter information. Additional details on our operation will be available during our Teleconference on Wednesday May 3, 2006 at 4:00pm (EST). A presentation will be posted on our website (www.killamproperties.com) prior to the call on Wednesday.

Killam Properties Inc. is a leading real estate company based in Halifax, Nova Scotia. Killam is the largest owner and manager of multi-family residential rental properties and manufactured home communities in Atlantic Canada.

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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. Killam does not undertake to update any of such forward-looking statements.