

## **PRESS RELEASE**

### **KILLAM PROPERTIES INC.**

Halifax, Nova Scotia

August 8, 2006

## **KILLAM PROPERTIES INC. ANNOUNCES 2006 SECOND QUARTER RESULTS**

Killam Properties Inc. (TSX:KMP/KMP.DB) is pleased to announce its financial and operating results for the second quarter ended June 30, 2006. Killam's portfolio grew from 12,170 rental units at the end of the first quarter to 13,022 apartment and manufactured home units at June 30, 2006. During the second quarter of 2006, Killam completed eight property acquisitions totaling 852 units and at June 30, 2006, Killam owned 7,213 apartment units and 5,809 manufactured home units representing 80.5% and 19.5% of its capital assets, respectively.

Total assets at the end of the second quarter grew by 35% to \$537.7 million, up from \$398.6 million at June 30, 2005, and up from \$469.5 million at December 31, 2005. Killam's acquisitions in the second quarter of 2006 and for the first six months ended June 30, 2006 totaled \$24.8 million and \$62.0 million, respectively. Subsequent to the end of the second quarter Killam has acquired three projects totaling 288 apartment units for a combined purchase price of \$18 million.

Funds from operations for the second quarter of 2006 increased \$1.3 million to \$3.9 million, or \$0.05 per share (\$0.05 per share fully diluted), compared to \$2.6 million (\$0.03 per share or \$0.03 per share fully diluted) in the second quarter of 2005. Funds from operations for the first six months of the year totaled \$6.0 million, or \$0.07 per share, compared to \$4.2 million, or \$0.05 per share, for the same period in 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 half of the year is not indicative of Killam's potential cash flow generation for the full year as property acquisitions made in the first half of 2006 did not contribute for the entire period.

Killam recorded a net loss of \$0.15 million in the second quarter of 2006, after \$2.08 million in amortization (a non-cash expense) on its buildings, compared to net income of \$0.11 million for the second quarter 2005, after \$1.24 million in building amortization.

Financial highlights include:

<b>As at and for the three months ended June 30</b>	<b>2006</b>	<b>2005</b>	<b>% Change</b>
Total revenue .....	\$17,332,818	\$10,746,180	<b>61%</b>
Funds from operations .....	\$3,917,781	\$2,561,445	<b>53%</b>
Net (loss) income .....	(\$151,375)	\$107,556	<b>n/a</b>
Total assets.....	\$537,745,239	\$398,574,952	<b>35%</b>
Shareholders' equity.....	\$93,590,519	\$94,472,536	<b>(0.9%)</b>
<b>For the six months ended June 30</b>	<b>2006</b>	<b>2005</b>	<b>% Change</b>
Total revenue.....	\$33,325,020	\$19,593,168	<b>70%</b>
Funds from operations.....	\$5,975,472	\$4,159,635	<b>44%</b>
Net (loss) income.....	(\$1,356,641)	\$45,738	<b>n/a</b>

New initiative highlights include:

- Expansion of 34 lots at Cowan Place and 61 lots at Greenhill Estates are scheduled to be completed by the end of August.
- Expansion plans and permitting are progressing on another four communities totaling 170 lots that are expected to be completed over the next two years.
- Homes sales are in line with expectations with five unconditional sale contracts signed and a growing number in negotiations at Greenhill Estates. Each sale results in the lease-up of a new site. Sales offices will soon be opening at Cowan Place and Birch Hill Estates.
- Killam completed the sale of 1.8 acres of surplus land associated with its Lakefront property during the second quarter resulting in a gain of \$0.7 million. This sale is one example of the opportunities that Killam is pursuing to provide additional capital from its current asset base to fund future growth opportunities.
- During the second quarter, Killam received approval for the development of a 60-unit residential building on surplus land at Victoria Gardens in Halifax and progress continues with the proposed development and approval of 11 acres at Kelly Drive in Halifax.
- Killam continues to decrease its exposure to heating oil with the conversion of 523 units in Halifax at Maplehurst and Parker Street Apartments and 194 units in Fredericton at the newly acquired Elroy Apartments to natural gas. Both projects are expected to be completed by November 1, 2006. Killam has also implemented a natural gas hedge program for 2007.

- Killam was recently awarded a contract by Atlantic Health Science Corporation, the largest teaching hospital in New Brunswick, to supply 36 apartment units to medical residents in Saint John.

On June 30, 2006, Killam's portfolio had achieved an overall occupancy level of 97.1%. The apartment portfolio had an occupancy level of 95.4% with an average monthly rent of \$677, and the manufactured home community portfolio had an occupancy level of 99.2%, with an average monthly rent of \$203. Approximately 237 additional vacant units were undergoing renovation, and therefore unavailable for renting and are not included in the table below which displays information as at June 30, 2006.

	<u>Units</u>	<u>Vacancy</u>	<u>Average Rent</u>
<b><i>APARTMENTS</i></b>			
NOVA SCOTIA	3,548	3.5%	\$707
NEW BRUNSWICK	2,270	4.9%	\$658
NEWFOUNDLAND	662	6.5%	\$556
PRINCE EDWARD ISLAND	496	7.5%	\$711
<b><i>MANUFACTURED HOME COMMUNITIES</i></b>	5,809	0.8%	\$203

Philip Fraser, President and Chief Executive Officer, noted: “Killam’s second quarter results reflect Killam continuous growth. We are working hard to upgrade and market our assets to increase occupancy levels and revenue. This investment has resulted in higher advertising expenses in the second quarter of 2006 which is expected to benefit the remainder of the year with increased occupancy levels. We are pleased to report that our July occupancy levels reflect this trend and as at August first the apartment portfolio had achieved an overall occupancy level of approximately 96.2%. We are also seeing increased activity for September rentals, which is an important rental month for us.

“I am also excited about the progress we have made in expanding a number of our manufactured home communities and home sale activity we expect to record during the third and fourth quarters of the year. This opportunity, coupled with the sale of our surplus land, is expected to positively impact our funds from operations this year.

“As well, Killam continues to actively pursue numerous investments and is in various stages of negotiations or under contract with a number of properties that it expects to announce in the coming weeks and months.”

## **Financial Statements**

**For convenience, this press release includes the Company's June 30, 2006 financial statements and notes including second quarter information. Killam's second quarter Management Discussion and Analysis will be available on our website ([www.killamproperties.com](http://www.killamproperties.com)) prior to the Teleconference on Wednesday August 9th, 2006 at 2:00pm (EST).**

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.

### **FOR FURTHER INFORMATION PLEASE CONTACT:**

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