PRESS RELEASE

KILLAM PROPERTIES INC.

Halifax, Nova Scotia
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KILLAM PROPERTIES INC. ANNOUNCES FOURTH QUARTER AND YEAR-END 2013 RESULTS HIGHLIGHTING A 5.9% INCREASE IN FFO PER SHARE IN THE FOURTH QUARTER AND MAINTAINING FFO PER SHARE OF $0.72 FOR THE YEAR

Killam Properties Inc. ("Killam" or the "Company") (TSX: KMP) announced its financial results for the fourth quarter and year ended December 31, 2013.

Highlights from Q4

- A 3.4% increase in the Company's dividend announced by the Board of Directors.
- Generated funds from operations ("FFO") per share of $0.18, a 5.9% increase from $0.17 earned during Q4 2012.
- Increased same store property revenue by 1.5%.
- Despite a 15% increase in utility costs, managed same store property operating costs, resulting in a 0.9% decrease in net operating income ("NOI") from Q4 2012.
- Completed $14.8 million in acquisitions.
- Netted proceeds of $42.6 million from the sale of a ten property manufactured home community ("MHC") portfolio in New Brunswick.
- Began construction of a 122-unit apartment development in Cambridge, Ontario.

Highlights from 2013

- Increased total property revenue by 5.6%.
- Increased same store revenue by 1.8%.
- High natural gas prices in Atlantic Canada caused total same store utility and fuel expenses to increase 13.8% and total operating costs to increase 5.0%, which resulted in a decrease in same store NOI of 0.4% in the year.
- Reduced the weighted average interest rate on mortgage debt 43 basis points to 4.05% from 4.48% at December 31, 2012.
- Generated FFO per share of $0.72, consistent with $0.72 earned in 2012.
- Completed $121.1 million in property acquisitions and $69.6 million in new apartment developments, totalling $190.7 million in new assets, marking Killam's largest year of growth since 2005.
- Short-term per share earnings dilution from the MHC portfolio sale in November 2013 and the timing of deployment of funds should reverse in the first half of 2014 with the completion of acquisitions aligned with Killam's strategy to diversify its geographic footprint.

Financial Highlights (in thousands, except per share amounts)

For the three months ended,	Dec 31, 2013	Dec 31, 2012	Change
Property Revenue	$36,262	$33,360	8.7%
Net Operating Income	$21,399	$19,559	9.4%
Fair Value (Losses) Gains	($13,827)	$10,057	n/a
Net (Loss) Income Attributable to Common Shareholders	($4,543)	$10,425	n/a
Funds from Operations	$9,812	$8,732	12.4%
Funds from Operations per Share	$0.18	$0.17	5.9%
Shares Outstanding (weighted average)	54,395	51,528	5.6%

For the year ended,	Dec 31, 2013	Dec 31, 2012	Change
Property Revenue	$141,112	$133,641	5.6%
Net Operating Income	$83,040	$80,444	3.2%
Fair Value Gains	$13,070	$37,726	(65.4%)
Net Income Attributable to Common Shareholders	$39,779	$51,727	(23.1%)
Funds from Operations	$38,770	$36,096	7.4%
Funds from Operations per Share	$0.72	$0.72	-
Shares Outstanding (weighted average)	54,143	50,227	7.8%

As at	Dec 31, 2013	Dec 31, 2012	Change
Investment Properties	$1,476,116	$1,354,665	9.0%
Total Assets	$1,532,431	$1,443,128	6.2%
Total Liabilities	$928,371	$854,692	8.6%
Total Equity	$604,060	$588,436	2.7%
Total Debt to Total Assets	52.9%	51.6%	130 bps

FFO per Share Up 5.9% in Q4

FFO per share was $0.18 in Q4, up 5.9% from $0.17 earned in the same period in 2012. The increase was primarily attributable to acquisitions and developments, lower interest expense and administrative cost savings. These factors more than offset the 5.6% increase in shares outstanding, the month of lost MHC earnings related to the New Brunswick portfolio sold on November 29, 2013, and a 0.9% decrease in same store NOI in the quarter.

Maintained FFO per Share of $0.72 Despite High Natural Gas Prices in 2013

Killam generated FFO per share of $0.72 during 2013, consistent with $0.72 in 2012. Earnings from acquisitions and savings in interest and administrative costs were offset by an unanticipated increase in natural gas pricing in Atlantic Canada during the winter heating season and an 8.9% increase in the weighted average number of shares outstanding following the Company's equity raise to fund growth in December 2012.

Killam's long-term strategy of investing in newer buildings and increasing the quality of its portfolio had a short-term dilutive effect in 2013. In addition to Killam's investment in development projects, the full impact of which will be realized once the buildings are fully-leased in mid-2014, there was a timing difference between a reduction in NOI related to the disposition of MHC properties and the redeployment of the resulting net proceeds towards apartment acquisitions. The Company is diligent in its acquisition program to ensure buildings acquired fit with its strategy, including increasing geographic diversification.

High Heating Costs Hindered Same Store NOI Growth in Q4 and for the Year

Consolidated Same Store NOI (in thousands)

For the three months ended,	Dec 31, 2013	Dec 31, 2012	Change	% Change
Property Revenue	$30,436	$29,997	$439	1.5%
Property Expenses				
Operating Expenses	4,648	4,770	(122)	(2.6%)
Utility and Fuel Expenses	4,416	3,843	573	14.9%
Property Taxes	3,505	3,361	144	4.3%
Total Property Expenses	12,569	11,974	595	5.0%
Net Operating Income	$17,867	$18,023	($156)	(0.9%)

For the year ended,	Dec 31, 2013	Dec 31, 2012	Change	% Change
Property Revenue	$121,530	$119,390	$2,140	1.8%
Property Expenses				
Operating Expenses	20,313	20,250	63	0.3%
Utility and Fuel Expenses	16,189	14,225	1,964	13.8%
Property Taxes	13,902	13,519	383	2.8%
Total Property Expenses	50,404	47,994	2,410	5.0%
Net Operating Income	$71,126	$71,396	($270)	(0.4%)

Killam's same store portfolio posted a 1.8% increase in revenue growth in 2013 due to the Company's ability to realize increased rental rates by 1.3% for the apartment portfolio and 3.7% for the MHC portfolio. This revenue growth was partially offset by higher vacancy during the first half of 2013, compared to 2012, and higher rental incentives due to increased competition in certain core markets in Atlantic Canada as a result of increased supply.

Killam's same store operating costs increased by 5.0% year-over-year due predominately to high natural gas costs in Nova Scotia and New Brunswick which drove utility and fuel costs up 13.8%. After an unexpected spike in December 2012, natural gas costs remained high throughout early 2013 due to supply and pipeline constraints, and high demand from utilities in New England. Following a return to normal pricing in Q3 and for most of Q4, natural gas prices increased again in December 2013 due to colder than normal weather in the Northeastern US. In spite of the high prices experienced in 2013, natural gas was more affordable than heating oil and Killam benefitted from its past investment in natural gas conversions.

Excluding energy and property taxes, Killam managed its controllable same store operating expenses to a modest 0.3% increase in 2013. Killam controlled these costs by renegotiating key contracts and focusing on increasing efficiencies and cost control throughout its business. In addition, the Company managed same store property tax expense to an increase of 2.8% with successful assessment appeals.

Improved Apartment Occupancy in December 2013

The occupancy and average rents for Killam's apartments at year-end are highlighted below:

	Dec 31, 2013			***Dec 31, 2012***		
	Units	***Occupancy*** [1]	***Average Rent***	***Units***	***Occupancy*** [1]	***Average Rent***
Halifax, NS	4,970	96.0%	$923	4,822	96.6%	$889
Moncton, NB	1,593	97.1%	$831	1,424	96.3%	$800
Fredericton, NB	1,394	96.3%	$896	1,293	97.8%	$846
Saint John, NB	1,143	94.4%	$746	1,143	93.6%	$747
St. John's , NL	813	97.0%	$849	742	97.8%	$776
Charlottetown, PE	906	95.6%	$878	687	91.6%	$871
Ontario	1,359	98.6%	$1,254	1,078	93.1%	$1,331
Other Atlantic Locations	469	95.3%	$798	431	96.1%	$776
Total Apartment Portfolio	**12,647**	**96.3%**	**$915**	**11,620**	**95.9%**	**$888**

1) Occupancy levels represent Killam's stabilized portfolio.

Killam's apartment occupancy was 96.3% at December 31, 2013, a 40 basis point improvement from 95.9% at December 31, 2012. The Company experienced softer occupancy levels in its apartment portfolio during the first half of the year due to higher than normal new multi-family rental construction in Halifax, Moncton and Charlottetown, and softness in the Saint John economy. These short-term challenges are countered by long-term positives, including population growth in Atlantic Canada's urban centres and an aging population with an increasing tendency to rent.

Killam reported a marked improvement in occupancy levels in Q3, with occupancy of 97.1% at September 30, 2013, followed by a typical seasonal decrease in Q4. Despite a decline in overall occupancy in the year, Killam achieved rental rate growth and increased its same store rental revenue. Killam's marketing and leasing initiatives, including increasing the number of leasing agents, investment in marketing promotions and expanding incentive offerings at specific properties, contributed to occupancy improvements in the year. The Company's increased investment in Ontario was beneficial in 2013 with improvement in occupancy each quarter, ending the year with 98.6% occupancy in the province.

Killam's MHC properties were 98.1% occupied at December 31, 2013, consistent with the occupancy at December 31, 2012.

Acquisitions and Developments of $191 million in 2013

Killam completed $121.1 million in property acquisitions in 2013, in line with its acquisition target of $75 to $125 million, and completed $69.6 million of development projects. Combined, the addition of $190.7 million in new properties represents Killam's biggest year of growth since 2005.

Acquisitions in 2013 included $50.4 million for two buildings in Ontario, aligned with Killam's strategy to increase its geographic diversification outside Atlantic Canada. The two Ontario properties acquired include a 102-unit building in Ottawa ($10.4 million) and a newly constructed mixed-use apartment and retail complex in downtown Toronto ($40.0 million).

Development continues to be a growth vehicle for Killam. Following the completion of four developments in 2013, the Company started two new developments during the second half of the year, a 101-unit building located adjacent the Company's recently completed Bennett House in St. John's and a 122-unit building in Cambridge, on land acquired in Q1 2013. Management has negotiated fixed-rate contracts for construction of both projects and expects all-cash yields of approximately 6.0%. The buildings are expected to be completed in Q3 2014 and Q1 2015, respectively.

Sale of MHC Portfolio in November 2013

Killam's NOI growth was partially offset by the disposition of its New Brunswick MHC portfolio for net proceeds of $42.6 million during Q4. The decision to sell was based on the opportunity to crystalize the value of the properties at attractive capitalization rates ("cap-rates") and use the funds to accretively grow the apartment portfolio and increase Killam's geographic diversification. The net proceeds from the sale have been, and will be, used primarily to fund growth of the apartment portfolio. The negative impact on FFO per share due to the timing of the redeployment of funds is short-term and Management is confident in its strategy to enhance long-term shareholder value.

Lower Interest Costs in 2013

During 2013 Killam successfully refinanced $66.7 million of maturing apartment mortgages at a weighted average interest rate of 3.03%, 155 basis points lower than the weighted average interest rate prior to refinancing. The Company also refinanced $10.7 million of MHC mortgages at a weighted average interest rate of 4.34%, 190 basis points lower than the weighted average interest rate prior to refinancing. These lower rates represent annualized interest savings of $1.2 million. The Company's weighted average mortgage interest rate also improved to 4.05%, down 43 basis points from 4.48% at December 31, 2012. The average number of years to mortgage maturity improved to 3.9 years from 3.4 years at December 31, 2012.

Killam's balance sheet remains conservative with debt as a percentage of total assets at 52.9% at December 31, 2013, compared to 51.6% at December 31, 2012. The Company's target level of total debt as a percentage of total assets is between 55% and 65%. Killam's interest coverage ratio for the last twelve months was 2.08 times, improved from 2.00 times at December 31, 2012.

$13 Million in Fair Value Gains in 2013

During 2013 Killam recorded $13.1 million in fair value gains related to its portfolio compared to $37.7 million in 2012. This decrease year-over-year related to reduced cap-rate compression in 2013 and a 25 basis point increase in cap-rates in the Saint John market in Q4. Gains in real estate valuations do not impact the Company's FFO per share, its key measure of performance.

Management's Comments

"We are pleased to report FFO per share growth in Q4 after facing higher energy costs and increased vacancy in our core markets in the Maritimes for the first half of 2013", noted Philip Fraser, Killam's President & CEO. "The improvements realized during the second half of the year are encouraging and we continue to see occupancy gains in many of our core markets. These improvements are expected to lead to same store revenue growth in 2014."

"As noted throughout the year, natural gas cost more than anticipated in 2013. We have benefitted from affordable natural gas in Atlantic Canada for many years, with the cost far below that of heating oil. Although natural gas continued to be more affordable than heating oil in 2013, we experienced price volatility from our gas suppliers that we haven't seen in the past. Pipeline capacity issues in the Maritimes and the Northeastern US, coupled with increased demand from utilities during peak periods of cold weather, pushed pricing to unprecedented levels. In periods of warmer weather natural gas pricing was generally back to "normal" levels, but we continue to see high pricing during the winter season. We are experiencing the same issue in 2014, due to colder than normal weather in the Northeastern US."

"As we learn more about the factors leading to natural gas price volatility it is becoming apparent that our Nova Scotia and New Brunswick properties that use natural gas may be exposed to price volatility during periods of cold weather until additional pipeline capacity is built to alleviate supply constraints and bring stabilized pricing more in-line with other areas of North America. In the short-term, we are managing our assets to control our exposure to natural gas. In properties where we have dual-fired heating systems we are prepared to switch to heating oil when the economics support the change and we are exploring increasing our base of dual-fired systems. In addition, we continue to invest in our properties with energy efficient initiatives."

"Continuing to invest in Ontario will increase the diversification of Killam's asset base. We were pleased to expand our Ontario portfolio this past year and expect to continue to build on our base of 1,359 units in the year ahead. Our Ontario assets are performing well, with strong year-over-year earnings growth. Our efforts to reposition a portfolio of buildings in Ottawa are paying off and position us for NOI growth in Ontario in the years ahead."

"We are also pleased with the assets we added to our portfolio in Atlantic Canada in 2013, and with the value that we crystalized with the sale our New Brunswick MHC portfolio. We are committed to adding strategically to our asset base, with both new buildings and well located older buildings with upside opportunities in our core markets. We experienced short-term dilution in 2013 due to the timing of our acquisitions; however, we are willing to be patient with our buying and will continue to make acquisitions which we believe are best for the Company, and our shareholders, in the long-term."

Financial Statements

Killam's 2013 Financial Statements and Notes, and Management's Discussion and Analysis can be found under Financial Reports on Killam's website at www.killamproperties.com/investor-relations.

Results Conference Call

Management will host a conference call to discuss these results on Wednesday, February 19, 2014, at 10:00 AM Eastern. The dial-in numbers for the conference call are 647-427-7450 (in Toronto) or 888-231-8191 (toll free, within North America).

A live audio webcast of the conference call will be accessible on the Company's website at www.killamproperties.com/investor-relations/events-and-presentations and at www.newswire.ca.

Corporate Profile

Killam Properties Inc., based in Halifax, Nova Scotia, is one of Canada's largest residential landlords, owning, operating and developing multi-family apartments and manufactured home communities.

Non-IFRS Measures

There are measures included in this press release that do not have a standardized meaning under IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies. The Company includes these measures as a means of measuring financial performance.

- Net operating income is calculated by the Company as income from property operations.
- Funds from operations are calculated by the Company as net income plus deferred tax expense, loss on disposition and depreciation on owner-occupied property, less fair value gains, gain on disposition and non-controlling interest.
- Same store results in relation to the Company are revenues and property operating expenses for stabilized properties the Company has owned for equivalent periods in 2013 and 2012.
- Capitalization Rate is the rate calculated by dividing the forecasted NOI from a property by the property's purchase price.
- Interest coverage is calculated by dividing the earnings before interest, tax, depreciation, and fair value adjustments by interest expense.

For further information please contact:

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