

PRESS RELEASE

KILLAM PROPERTIES INC.

Halifax, Nova Scotia
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KILLAM PROPERTIES INC. ANNOUNCES THIRD QUARTER 2013 RESULTS

Killam Properties Inc. ("Killam" or the "Company") (TSX: KMP) announced its financial results for the third quarter ended September 30, 2013.

Third Quarter Highlights

- Generated funds from operations ("FFO") per share of \$0.22, compared to FFO per share of \$0.21 during Q3 2012 representing an increase of 4.8%.
- Improved occupancy in Killam's apartment portfolio, ending the quarter at 97.1% occupancy, up 310 basis points from 94.0% at the end of the second quarter.
- Increased same store rental revenue by 1.2%.
- Increased same store net operating income ("NOI") by 1.3%.
- Completed \$41.8 million in acquisitions.
- Began construction of a 101-unit apartment development in St. John's, Newfoundland.
- Reduced the weighted average interest rate on mortgage debt to 4.21% from 4.25% at June 30, 2013.

Highlights from the Nine Months Ended September 30, 2013

- Generated FFO per share of \$0.54, compared to FFO per share of \$0.55 during the first three quarters of 2012.
- Same store rental revenue increased by 1.9%.
- Maintained stable NOI for the same store portfolio despite higher vacancy and natural gas costs during the first half of the year.
- Completed \$106.1 million in new acquisitions, including \$99.2 million in apartment acquisitions at a weighted average capitalization rate of 5.7%, and \$6.9 million in land for future developments.
- Completed four apartment developments totaling 282 units.

Financial Highlights (in thousands, except per share amounts)

For the three months ended,	Sept 30, 2013	Sept 30, 2012	Change
Property Revenue	\$37,095	\$33,894	9.4%
Net Operating Income	\$23,250	\$21,442	8.4%
Fair Value Gains	\$2,407	\$6,279	(61.7%)
Net Income Attributable to Common Shareholders	\$12,117	\$12,662	(4.3%)
Funds from Operations	\$11,668	\$10,721	8.8%
Funds from Operations per Share	\$0.22	\$0.21	4.8%
Shares Outstanding (weighted average)	54,266	50,330	7.8%

For the nine months ended,	Sept 30, 2013	Sept 30, 2012	Change
Property Revenue	\$104,853	\$100,281	4.6%
Net Operating Income	\$61,644	\$60,885	1.2%
Fair Value Gains	\$26,897	\$27,669	(2.8%)
Net Income Attributable to Common Shareholders	\$44,323	\$41,302	7.3%
Funds from Operations	\$28,958	\$27,364	5.8%
Funds from Operations per Share	\$0.54	\$0.55	(1.8%)
Shares Outstanding (weighted average)	54,058	49,779	8.6%

As at	Sept 30, 2013	Dec 31, 2012	Change
Total Assets	\$1,574,949	\$1,443,128	9.1%
Total Liabilities	\$959,374	\$854,692	12.2%
Total Equity	\$615,575	\$588,436	4.6%
Total Debt to Total Assets	53.2%	51.6%	160 bps

FFO per Share of \$0.22 in Q3

Killam generated FFO per share of \$0.22 during Q3 2013, compared to \$0.21 during Q3 2012 representing an increase of 4.8%. Contributions from acquisitions completed in 2013, same store NOI growth and lower interest rates more than offset the increase in the weighted average shares outstanding following the December 2012 equity raise.

FFO per share was down 1.8% during the first nine months of the year due primarily to higher natural gas costs during the first half of the year and increased vacancy. The timing of acquisitions completed during the first half of the year and the completion and lease-up of development projects also contributed to the short-term decline in FFO per share.

Same Store NOI Growth During Q3

Killam experienced a 1.3% increase in NOI from its same store portfolio during Q3 2013 as higher property revenue and operating expense savings offset higher utility expenses and property taxes. Consolidated same store results for Q3 and for the first three quarters are summarized below:

Consolidated Same Store NOI (in thousands)

For the three months ended,	Sept 30, 2013	Sept 30, 2012	Change	% Change
Property Revenue	\$32,568	\$32,195	\$373	1.2%
Property Expenses				
Operating Expenses	5,621	5,676	(55)	(1.0%)
Utility and Fuel Expenses	2,993	2,898	95	3.3%
Property Taxes	3,517	3,443	74	2.1%
Total Property Expenses	12,131	12,017	114	0.9%
Net Operating Income	\$20,437	\$20,178	\$259	1.3%

For the nine months ended,	Sept 30, 2013	Sept 30, 2012	Change	% Change
Property Revenue	\$94,963	\$93,236	\$1,727	1.9%
Property Expenses				
Operating Expenses	16,259	16,103	156	1.0%
Utility and Fuel Expenses	12,232	10,888	1,344	12.3%
Property Taxes	10,640	10,397	243	2.3%
Total Property Expenses	39,131	37,388	1,743	4.7%
Net Operating Income	\$55,832	\$55,848	(\$16)	(0.0%)

Killam's same store NOI was flat for the first nine months due primarily to the impact of high natural gas rates during the first half of the year. The year-to-date 4.7% increase in total property expenses for the first nine months of the year was balanced by property revenue growth as increased rental rates more than offset increased vacancy. Killam has closed the vacancy gap between 2012 and 2013 levels during September and into the fourth quarter. Management expects to post positive same store NOI growth in Q4, and targets annual NOI growth for the year between 0% and 1%.

Apartment Occupancy of 97.1% at September 30, 2013

Killam's apartment occupancy was 97.1% in September 2013, compared to 94.0% in June 2013 and 96.9% in September 2012. The occupancy and average rents for Killam's apartments are highlighted below:

	<u>Sept 30, 2013</u>			<u>Sept 30, 2012</u>		
	<i>Units</i>	<i>Occupancy¹</i>	<i>Average Rent</i>	<i>Units</i>	<i>Occupancy¹</i>	<i>Average Rent</i>
<i>Apartments</i>						
Halifax, NS	4,970	97.9%	\$919	4,821	97.7%	\$883
Moncton, NB	1,512	96.6%	\$824	1,424	96.8%	\$796
Fredericton, NB	1,394	97.3%	\$896	1,293	98.1%	\$846
Saint John, NB	1,143	92.1%	\$749	1,143	94.1%	\$744
St. John's , NL	813	99.1%	\$845	742	97.8%	\$767
Charlottetown, PE	906	97.2%	\$877	687	95.9%	\$869
Ontario	1,359	97.4%	\$1,245	1,078	95.5%	\$1,320
<u>Other Atlantic Locations</u>	<u>431</u>	<u>97.0%</u>	<u>\$789</u>	<u>448</u>	<u>96.2%</u>	<u>\$774</u>
<i>Total Apartment Portfolio</i>	<u>12,528</u>	<u>97.1%</u>	<u>\$913</u>	<u>11,636</u>	<u>96.9%</u>	<u>\$883</u>

1) Occupancy levels represent Killam's stabilized portfolio.

Killam achieved occupancy gains in its apartment portfolio throughout the third quarter, typically the strongest for leasing activity, and was 97.1% occupied at September 30, 2013, up 310 basis points from 94.0% at June 30, 2013, and up 20 basis points from 96.9% at September 30, 2012. Occupancy has remained strong in October, with the stabilized apartment portfolio at 97.0% occupancy at October 31, 2013, up 50 basis points from 96.5% at October 31, 2012.

Killam's apartment portfolio has experienced vacancy pressure over the last two years due primarily to higher than normal levels of new multi-family rental construction in Halifax, Moncton and Charlottetown. Increased marketing and leasing initiatives to offset this trend have been a focus for the Company over the last two quarters and Management is pleased with the occupancy improvements realized during the third quarter and into the first half of the fourth quarter. The Company increased the number of leasing agents, expanded its marketing program, including a successful radio campaign, and increased incentive offerings at specific properties. Additional programs and initiatives are being rolled out during the fourth quarter, including programs focused on tenant retention. The enhanced leasing process is expected to enable Killam to outperform CMHC reported averages in its core markets.

Killam's MHC properties were 97.9% occupied at September 30, 2013, down 10 basis points from 98.0% at June 30, 2013.

\$42 Million in Acquisitions Completed in Q3

Killam completed \$41.8 million in acquisitions during the third quarter, including \$40 million on July 31, 2013 for a newly constructed 179-rental unit property with 21,242 square feet of retail space in Toronto. In September, the Company acquired a 50% ownership interest in a development site at 1057 Barrington Street, located in downtown Halifax, for \$1.8 million. A six-storey multi-family building containing 143 units is planned for the site. The project will include 73 condo units which will be sold by Killam's partner and 70 residential apartment units which will be owned and managed by Killam. Construction of this project is expected to start in the second half of 2014.

Including the acquisitions completed in Q3, Killam has completed \$106.1 million in acquisitions year-to-date, comprising \$99.2 million in apartment acquisitions at a weighted average capitalization rate of 5.7%, and \$6.9 million in land for three future apartment developments.

Debt Equal to 53.2% of Total Assets

Killam's balance sheet remains conservative with debt as a percentage of total assets at 53.2% at September 30, 2013, compared to 51.6% at December 31, 2012. The Company's target level of debt as a percentage of total assets is between 55% and 65%. Killam's interest coverage ratio for the last twelve months improved to 2.17 times, up from 2.09 times at December 31, 2012. The Company's weighted average mortgage interest rate also improved to 4.21%, down 27 basis points from 4.48% at December 31, 2012.

New Development Underway in St. John's, Newfoundland

Killam has started its second development in the strong St. John's market, a planned 101-unit building located adjacent to the Company's recently completed Bennett House. The building, with a total expected cost of \$21.2 million and an all-cash yield of 6.0%, is expected to be completed in Q3 2014. Management remains optimistic with the long-term investment opportunities in St. John's.

Sale of New Brunswick MHCs

Killam has entered into an unconditional agreement to sell an MHC portfolio of 10 New Brunswick communities totaling 2,308 sites with a scheduled closing date of November 29, 2013. The sale price of \$69.0 million will result in net cash proceeds to Killam of \$42.6 million. The net proceeds will be used primarily to fund future growth.

Killam had invested \$44.2 million to acquire and enhance this New Brunswick portfolio over the last ten years. The decision to sell at this time is based on the opportunity to crystalize the value of the portfolio at current attractive cap rates and use the funds to continue to accretively grow the apartment portfolio.

Management's Comments

"We are pleased to report positive same store growth this quarter," noted Philip Fraser, Killam's President & CEO. "We've faced head winds in 2013 with unexpectedly high natural gas costs and increased vacancy in our core markets in the Maritimes. We've responded by refocusing our marketing and leasing efforts, and we've seen the positive results in the second half of Q3 with strong improvements in occupancy across the portfolio."

"Ontario has experienced some of the strongest year-over-year gains in recent months, as we carried higher than normal vacancy in a four-building portfolio that we closed last August for much of the last year. Our efforts to reposition the buildings and the tenant base is paying off, with the 244-unit portfolio 96.7% occupied in October compared to 82% at the peak of the portfolio's vacancy in July 2013. The improvement to these assets positions us well for NOI growth in Ottawa, and in Ontario, in the years ahead."

"Our four developments completed in the first half of the year have started to contribute positively to FFO growth, however the full impact of the developments will not be realized until all four buildings are fully leased. Bennett House in St. John's and Brighton House in Charlottetown are full, and S2 in Halifax and The Plaza in Fredericton are 59% and 53% leased, respectively. We expect these properties to lease-up by the end of Q2 2014 and contribute to FFO per share growth next year."

“As noted above, we anticipate realizing the benefit from a number of investments made in 2013 in the year ahead. The rental market in Atlantic Canada will remain competitive, but we believe that we are well positioned to outperform based on the location and quality of our assets, our marketing and leasing processes, and a strong reputation in our core markets.”

“Finally, we are pleased to be able to realize substantial benefits on the sale of our New Brunswick MHCs. We believe that the timing is right to rebalance our asset base and capture a portion of the value we’ve created in our MHC portfolio to help fund our strategic growth. We remain focused on acquiring newer assets and increasing our ownership outside Atlantic Canada.”

Financial Statements

Killam’s Q3 2013 Financial Statements and Notes, and Management’s Discussion and Analysis can be found under Financial Reports in the Investor Relations section of Killam’s website at www.killamproperties.com/investor-relations.

Results Conference Call

Management will host a conference call to discuss these results on Wednesday, November 6, 2013, at 11:00 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.

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