

## **PRESS RELEASE**

### **KILLAM PROPERTIES INC.**

Halifax, Nova Scotia  
Nov 4, 2014

#### **KILLAM PROPERTIES INC. ANNOUNCES STRONG THIRD QUARTER 2014 RESULTS INCLUDING FFO PER SHARE GROWTH OF 9.1%**

Killam Properties Inc. ("Killam" or the "Company") (TSX: KMP) announced its financial results for the third quarter ended September 30, 2014.

#### **Q3 Highlights**

- Generated funds from operations ("FFO") per share of \$0.24, compared to FFO per share of \$0.22 in Q3-2013.
- Increased same store rental revenue by 1.6%.
- Achieved same store net operating income ("NOI") growth of 1.2%.
- Completed \$24.9 million in acquisitions.
- Reduced the weighted average interest rate on mortgage debt to 3.76% from 3.85% at June 30, 2014, and extended the weighted average term to maturity of mortgage debt to 4.5 years from 4.4 years.

#### **Highlights from the Nine Months Ended September 30, 2014**

- Generated FFO per share of \$0.55, compared to FFO per share of \$0.54 during the nine months ended September 30, 2013.
- Improved same store rental revenue by 1.7%.
- Same store NOI decreased by 1.2% due primarily to high heating and utility costs in the first quarter.
- Completed \$63.1 million in acquisitions.
- Invested \$19.4 million in two apartment development projects expected to be completed in Q4-2014 and Q2-2015.

**Financial Highlights** (in thousands, except per share amounts)

<b>For the three months ended,</b>	<b>Sept 30, 2014</b>	<b>Sept 30, 2013</b>	<b>Change</b>
Property Revenue	\$37,777	\$37,095	1.8%
Net Operating Income	\$23,773	\$23,250	2.2%
Income Before Fair Value Gains, Gain on Disposition, and Income Taxes	\$13,145	\$11,864	10.8%
Fair Value Gains	\$13,382	\$2,407	456.0%
Net Income Attributable to Common Shareholders	\$20,491	\$12,117	69.1%
Earnings Per Share	\$0.37	\$0.22	68.2%
Funds from Operations	\$12,912	\$11,668	10.7%
Funds from Operations per Share (basic)	\$0.24	\$0.22	9.1%
Funds from Operations per Share (diluted)	\$0.22	\$0.21	4.8%
<b>For the nine months ended,</b>	<b>Sept 30, 2014</b>	<b>Sept 30, 2013</b>	<b>Change</b>
Property Revenue	\$109,360	\$104,853	4.3%
Net Operating Income	\$62,834	\$61,644	1.9%
Income Before Fair Value Gains, Gain on Disposition, and Income Taxes	\$30,492	\$30,261	0.8%
Fair Value Gains	\$21,582	\$26,897	(19.8%)
Net Income Attributable to Common Shareholders	\$39,031	\$44,323	(11.9%)
Earnings Per Share	\$0.71	\$0.82	(13.4%)
Funds from Operations	\$29,911	\$28,958	3.3%
Funds from Operations per Share (basic)	\$0.55	\$0.54	1.9%
Funds from Operations per Share (diluted)	\$0.54	\$0.53	1.9%
<b>As at</b>	<b>Sept 30, 2014</b>	<b>Dec 31, 2013</b>	<b>Change</b>
Total Assets	\$1,647,854	\$1,532,431	7.5%
Total Liabilities	\$1,017,555	\$928,371	9.6%
Total Equity	\$630,299	\$604,060	4.3%
Total Debt to Total Assets	53.6%	52.9%	70 bps

**FFO per Share Growth of 9.1%**

Killam generated FFO per share of \$0.24 during Q3-2014, up 9.1% from \$0.22 during Q3-2013. The growth was attributable to improved same store property NOI, contributions from acquisitions and developments, and interest expense savings. These positive contributions were partially offset by a reduction in manufactured home community ("MHC") earnings associated with the November 2013 sale.

## Same Store NOI Growth of 1.2%

Consolidated same store results for the three and nine months ended September 30, 2014, are summarized below:

### Consolidated Same Store NOI (in thousands)

For the three months ended,	Sept 30, 2014	Sept 30, 2013	Change	% Change
Property Revenue	\$33,250	\$32,711	\$539	1.6%
Property Expenses				
Operating Expenses	(5,459)	(5,563)	(104)	(1.9%)
Utility and Fuel Expenses	(3,303)	(2,964)	339	11.4%
Property Taxes	(3,679)	(3,613)	66	1.8%
Total Property Expenses	(12,441)	(12,140)	301	2.5%
Net Operating Income	\$20,809	\$20,571	\$238	1.2%

  

For the nine months ended,	Sept 30, 2014	Sept 30, 2013	Change	% Change
Property Revenue	\$96,922	\$95,320	\$1,602	1.7%
Property Expenses				
Operating Expenses	(16,313)	(16,112)	201	1.2%
Utility and Fuel Expenses	(14,222)	(12,334)	1,888	15.3%
Property Taxes	(11,092)	(10,895)	197	1.8%
Total Property Expenses	(41,627)	(39,341)	2,286	5.8%
Net Operating Income	\$55,295	\$55,979	(\$684)	(1.2%)

Killam achieved positive same store NOI growth of 1.2% during Q3-2014 following positive revenue growth in all regions. Total property expenses increased 2.5%, as savings in operating expenses were partially offset by an 11.4% increase in utility and fuel expenses. Year-to-date same store NOI decreased 1.2% due primarily to high energy and operating costs during Q1-2014. Positive same store growth in both Q2 and Q3 has offset much of the same store expense pressure experienced in Q1.

## Acquisition Activity in Q3 Completes the Redeployment of Proceeds from Sale of MHC Assets

On September 24, 2014, Killam acquired a 50% interest in Kanata Lakes Apartments II, a newly constructed 152-unit building located in Ottawa, Ontario. The purchase price was \$48.7 million, with Killam's 50% ownership interest being \$24.4 million. During the first nine months of the year, Killam has completed \$63.1 million in acquisitions. With the completion of the Kanata Lakes acquisition, Killam has completed the redeployment of \$42.6 million of cash generated through the November 2013 sale of its New Brunswick MHC portfolio.

## Development Projects on Schedule

Killam complements its acquisition activity with developments and has two active development projects underway, a \$21.4 million apartment building in St. John's, Newfoundland and a \$25.3 million apartment building in Cambridge, Ontario. The projects are progressing on schedule, with \$8.8 million invested in

Q3 and \$19.4 million in the first nine months of 2014. The St. John's asset, a 102-unit building, is nearing completion and is expected to be ready for occupancy in Q4-2014. The Cambridge asset, a 122-unit building, is expected to be completed in Q2-2015.

### **Interest Expense Savings on Mortgage Refinancings**

Killam continues to benefit from interest rate savings on mortgage refinancings. During Q3-2014 Killam successfully refinanced \$31.1 million of maturing apartment mortgages at a weighted average interest rate of 2.85%, 173 basis points lower than the weighted average interest rate prior to refinancing. The Company's weighted average mortgage interest rate improved to 3.76%, from 3.85% at June 30, 2014, and 4.21% at September 30, 2013. The average number of years to mortgage maturity was extended to 4.5 years from 4.4 years at June 30, 2014.

Total debt as a percentage of total assets was 53.6% at September 30, 2014, compared to 53.8% at June 30, 2014, and below Killam's target debt levels of 55% to 65%. Killam's interest coverage ratio for the last twelve months was 2.05 times, up from 2.03 times at June 30, 2014.

### **Management's Comments**

"We are pleased to report 9.1% FFO growth in the quarter," noted Philip Fraser, Killam's President and CEO. "Same store property growth, the positive impact of acquisitions and developments, and lower interest rates have all contributed to improved earnings per share."

"We are working to meet our acquisition goal of \$75 million for the year with \$63.1 million of acquisitions completed to date. We have enhanced our portfolio with properties in Ottawa, Halifax and Moncton, including acquiring two newly constructed buildings. In addition, we've invested \$20 million in two developments under construction that are projected to contribute positively to earnings in 2015."

"We are on track to meet our goal of 50% or more of our 2014 acquisitions being made outside of Atlantic Canada, having invested \$36.9 million in the Ottawa market year-to-date. Expansion outside Atlantic Canada allows us to increase our geographic diversification, expand our opportunities for growth and invest in more of Canada's fastest growing urban markets."

"Atlantic Canada however remains the foundation of Killam, with 84% of our NOI and equity income for the first nine months of 2014 generated in the region, and a 13.5% market share of the region's apartment units. We are pleased with the positive economic signs we are seeing in Atlantic Canada. After three years of planning and infrastructure spending, Halifax's \$25 billion Shipbuilding Contract is expected to start production in 2015. Investments in other significant projects, including the Maritime Link, Hebron Oil, the Saint John mill upgrade by Irving, and oil exploration off Nova Scotia's coast, are all positive for the region. In addition, the proposed Energy East Pipeline project has the potential for substantial investment in New Brunswick. Employment growth related to these projects is expected to lead to increased demand for rental units in many of our core markets."

### **Financial Statements**

Killam's Q3-2014 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](http://www.killamproperties.com/investor-relations).

## Results Conference Call

Management will host a conference call to discuss these results on Wednesday, November 5, 2014, at 12:00 PM 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](http://www.killamproperties.com/investor-relations/events-and-presentations) and at [www.newswire.ca](http://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, depreciation on owner-occupied property and tax planning costs relating to the Company's potential REIT conversion, 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 2014 and 2013.
- Interest coverage is calculated by dividing the earnings before interest, tax, depreciation, and fair value adjustments by interest expense.

See the Q3-2014 Management's Discussion and Analysis for further details on these non-IFRS measures.

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at [www.sedar.com](http://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.