February 14, 2017
Halifax, Nova Scotia

KILLAM APARTMENT REIT ANNOUNCES Q4 AND 2016 RESULTS, 3.3% DISTRIBUTION INCREASE AND OTTAWA ACQUISITION

Focus on growth strategy delivers solid returns coupled with a strengthened balance sheet

Killam Apartment REIT (TSX: KMP.UN) ("Killam") today reported its financial results for the fourth quarter and year ended December 31, 2016.

"Killam delivered strong results in Q4, and for the year," noted Philip Fraser, President and CEO. "We achieved many successes during 2016, reflected in our financial performance: solid growth from our existing portfolio, strong demand for our recently completed developments, portfolio-enhancing acquisitions in our core markets, and interest expense savings. In addition, we strengthened our balance sheet with reduced debt levels and an expanded acquisition credit facility."

"The benefit of our established development program stood out last year," continued Mr. Fraser. "The lease-up of Southport Apartments in Halifax exceeded our expectations and reinforced the opportunity to add value through developments. We are excited about our two current projects and our pipeline of over 1,000 units for future development. Development will continue to be an important part of Killam's growth strategy going forward."

Financial and Operating Highlights

	For the three months ended			*For the twelve months ended*		
	December 31, 2016	December 31, 2015	Change	**December 31, 2016**	December 31, 2015	Change
Property revenue	**$44,137**	$42,433	4.0%	**$175,269**	$166,614	5.2%
Net income	**$4,638**	$8,069	(42.5%)	**$71,439**	$35,800	99.6%
FFO per unit/share (diluted) (1) (2)	**$0.21**	$0.20	5.0%	**$0.86**	$0.79	8.9%
AFFO per unit/share (diluted) (1) (2)	**$0.19**	$0.17	11.8%	**$0.77**	$0.68	13.2%
AFFO payout ratio	**79%**	87%	(800) bps	**78%**	88%	(1,000) bps
Same property apartment occupancy (3)	**96.1%**	95.7%	40 bps	**95.8%**	95.4%	40 bps
Same property revenue	**1.8%**			**1.8%**		
Same property net operating income	**1.8%**			**4.0%**		

(1) Killam completed a REIT conversion on January 1, 2016. Per unit references in 2016 are based on the total of Trust and Exchangeable Units. Per share references in 2015 are based on total common shares.

(2) Funds from operations ("FFO") and adjusted funds from operations ("AFFO") are defined under non-IFRS measures below.

(3) Occupancy represents actual residential rental revenue net of vacancy, as a percentage of gross potential residential rent.

	As at		
	December 31, 2016	December 31, 2015	Change
Total debt as a percentage of total assets	**53.5%**	56.4%	(290) bps
Weighted average mortgage interest rate	**3.01%**	3.27%	(26) bps
Weighted average term to debt maturity (years)	**4.3**	4.2	0.1
Interest coverage	**2.74x**	2.34x	40 bps

Summary of 2016 Results and Operations

FFO per Unit Growth of 8.9%

Killam generated FFO per unit of $0.86 in 2016, 8.9% higher than the $0.79 generated in 2015. FFO growth was attributable to a 4.0% increase in same property net operating income ("NOI"), interest expense savings on mortgage refinancings and convertible debenture redemptions, and accretive returns from developments and acquisitions. This growth was partially offset by a 9.4% increase in the weighted average number of units outstanding following a $98.0 million equity raise in June 2016.

Strengthened Balance Sheet and Increased Capital Flexibility

Proceeds from the June 2016 equity raise were used to redeem $57.5 million of convertible debentures on July 4, 2016. This initiative contributed to a 290 basis point ("bps") improvement in Killam's leverage ratio, ending the year with 53.5% debt as a percentage of total assets compared to 56.4% at December 31, 2015, and a 40 bps improvement in the interest coverage ratio. Killam also used funds from the equity raise to increase its portfolio of unencumbered assets, facilitating a $28 million increase in its acquisition credit facility. The increase expanded Killam's acquisition capacity by approximately $70 million, providing improved flexibility to execute on attractive growth opportunities.

Higher Rents and Improved Occupancy Drove Same Property Revenue Growth

Killam achieved consolidated same property revenue growth of 1.8% in 2016, attributable to both increased rents and higher occupancy. The Halifax market outperformed in 2016, achieving 3.3% same property revenue growth, the highest of Killam’s core markets. Representing 36% of NOI in 2016, Halifax is a strong rental market, benefiting from economic growth, urbanization, immigration and strong demand for rental apartments from an older demographic transitioning from homeownership to apartment rental. Killam’s Charlottetown and Ontario portfolios also achieved above-average revenue growth in 2016, up 2.2% and 2.0%, respectively.

Warmer Temperatures and Efficiencies Resulted in Lower Operating Costs

Killam's same property expenses decreased by 1.2% in 2016, contributing to the 4.0% increase in NOI. A warmer than normal Q1 resulted in lower energy consumption and lower natural gas rates during the winter, a major influence in the 6.2% reduction in utility and fuel expense for the year. Efficiencies from energy and water reduction initiatives also contributed to savings. These savings, combined with lower garbage collection costs and successful property tax appeals, offset the impact of higher operating costs, most notably insurance.

Lower Interest Rates Contributed to Earnings Growth

Killam benefited from lower interest rates on mortgages refinanced during 2016, contributing to a 1.6% reduction in same property interest expense for the year. During 2016, Killam successfully refinanced $120.0 million of maturing mortgages with $186.6 million of new debt at a weighted average interest rate of 2.34%, 186 bps lower than the weighted average interest rate prior to refinancing. Killam’s weighted average mortgage interest rate decreased 26 bps to 3.01% as at December 31, 2016, from 3.27% as at December 31, 2015.

Growth from Acquisitions and Developments

Killam completed $71.5 million in acquisitions during 2016, which contributed positively to net income and FFO in the year, as did earnings growth from the Saginaw Gardens development in Cambridge, completed in Q2-2015. Killam’s newest development, Southport Apartments, completed at the end of August 2016, was fully leased by November and also positively impacted earnings in the year.

Summary of Q4-2016 Results

Killam generated FFO per unit of $0.21 in Q4-2016, a 5.0% increase over $0.20 in Q4-2015. Similar to the results for the year, growth was attributable to higher earnings from the same property portfolio, lower interest expense from refinancings and the Q3-2016 repayment of $57.5 million of convertible debentures, and growth from acquisitions and developments. These gains were partially offset by an increase in the weighted average units outstanding.

Killam achieved same property revenue growth of 1.8% in Q4, attributable to increased rents of 1.6% and improved occupancy levels. The same property apartment portfolio achieved 96.1% occupancy during the fourth quarter, up 40 bps from 95.7% during Q4-2015. Halifax led Killam's core markets for revenue growth for the fifth straight quarter, up by 2.6% in Q4. All markets except Saint John, New Brunswick, showed positive revenue growth in the quarter.

Same property expenses increased 1.8%. Higher expenses in St. John's, Fredericton, Charlottetown and the MHC portfolio offset savings in Halifax. Overall, same property NOI was up 1.8% in the quarter. Halifax, with 6.2% growth, generated the strongest same property NOI growth of Killam's core markets.

Financial Summary *(in thousands, except per unit amounts)*

The following chart provides Killam's consolidated financial highlights for the periods ending December 31, 2016, and 2015, per International Financial Reporting Standards (IFRS). A reconciliation of net income to FFO is also provided. FFO is recognized as the industry-wide standard measure of operating performance for real estate entities, however it is not a measure defined by IFRS and may not be comparable to similarly titled measures used by Killam's peers.

Consolidated Financial Highlights	***For the three months ended***		***For the twelve months ended***	
	December 31, 2016	December 31, 2015	**December 31, 2016**	December 31, 2015
Property revenue	**$44,137**	$42,433	**$175,269**	$166,614
Net operating income	**$26,372**	$25,361	**$105,424**	$98,390
Income before fair value adjustments, loss on disposition, and income taxes	**$14,773**	$11,143	**$55,336**	$48,228
Fair value adjustments	**($1,668)**	($7,651)	**($11,231)**	($6,103)
Net income	**$4,638**	$8,069	**$71,439**	$35,800
Net income attributable to unitholders/shareholders	**$4,645**	$7,420	**$67,982**	$34,557

Reconciliation of Net Income to FFO	***For the three months ended***		***For the twelve months ended***	
	December 31, 2016	December 31, 2015	**December 31, 2016**	December 31, 2015
Net income	**$4,638**	$8,069	**$71,439**	$35,800
Fair value adjustments	**1,657**	7,651	**11,231**	6,103
Non-controlling interest	**7**	(264)	**(531)**	(1,058)
Deferred tax expense (recovery)	**8,467**	(4,577)	**(27,598)**	6,216
Interest expense related to exchangeable units	**580**	—	**2,659**	—
Unrealized loss on derivative liability	**(412)**	—	**(297)**	—
Depreciation on owner-occupied building	**46**	47	**171**	192
Gain on Disposition	**—**	—	**264**	109
REIT conversion costs	**240**	1,477	**1,548**	1,654
FFO	**$15,223**	$12,403	**$58,886**	$49,016
FFO unit/share - diluted	**$0.21**	$0.20	**$0.86**	$0.79

3.3% Distribution Increase

The Board of Trustees is pleased to announce that today it approved a 3.3% increase to Killam's annual distribution, to $0.62 per unit from $0.60 per unit. The monthly distribution will be $0.05167 per unit, up from $0.05 per unit. The increase will become effective for the March 2017 distribution, to be paid in April 2017.

$49 Million Acquisition in Ottawa

Killam is scheduled to acquire a 50% interest in the remaining two buildings of the Kanata Lakes apartment development on March 1, 2017. The buildings, located at 1203 Maritime Way and 985 Great Lakes Avenue in Ottawa, include 268 units and were completed in December 2015 and April 2016, respectively. These are the final two buildings of a five-building, 739-unit, complex with a shared clubhouse known as William's Court. Killam already has a 50% ownership interest in the other three buildings. The acquisition cost of $49.3 million for Killam's 50% interest will be funded through a new CMHC-insured 10-year mortgage and Killam's acquisition line of credit. The buildings are 96% leased with an average rental rate of $2,160 per unit. The expected stabilized yield on the acquisition is approximately 5.2%.

Financial Statements

Killam's Consolidated Financial Statements and Management's Discussion and Analysis for the year ended December 31, 2016, are posted under Financial Reports in the Investor Relations section of Killam's website at www.killamreit.com. Readers are directed to these documents for financial details and a discussion around Killam's results.

Results Conference Call

Management will host a conference call to discuss these results on Wednesday, February 15, 2017, at 10:00 AM Eastern Time. The dial-in numbers for the conference call are 647-252-4489 (in Toronto) or 877-407-0336 (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.

Profile

Killam Apartment REIT, based in Halifax, Nova Scotia, is one of Canada's largest residential landlords, owning, operating and developing multi-family apartments and manufactured home communities. Killam's current portfolio includes $2 billion in real estate assets. Killam's strategy to maximize its value and long-term profitability includes concentrating on three key areas of growth: 1) increasing earnings from its existing portfolio, 2) expanding its portfolio and diversifying geographically through accretive acquisitions, with an emphasis on newer properties, and 3) developing high-quality properties in its core markets.

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 entities. Killam includes these measures as a means of measuring financial performance. The non-IFRS measures used in the press release are as follows:

- Funds from operations, and applicable per unit amounts, are calculated by Killam as net income plus depreciation on owner-occupied building, fair value losses, interest expense related to exchangeable units, loss on disposition, deferred tax expense and REIT conversion costs, less fair value gains, deferred tax recovery, unrealized gain on derivative liability and non-controlling interest. FFO, as per the definition of Killam, are calculated in accordance with the REALpac definition, except for the add-back of REIT conversion costs as noted above; REALpac does not address this specific type of adjustment.
- Adjusted funds from operations, and applicable per unit amounts and payout ratios, are calculated by Killam

as FFO less $450 per apartment unit for maintenance capital costs, which is an estimate in the industry range for the multi-family sector. Although the MHC industry does not have a standard amount for maintenance related capital costs, a $100 per MHC site estimate is used by Killam.

- Same property results in relation to Killam are revenues and property operating expenses for stabilized properties Killam has owned for equivalent periods in 2016 and 2015 (97% of the portfolio based on the December 31, 2016, unit count).
- Interest coverage is calculated by dividing earnings before interest, tax, depreciation, gain or loss on disposition and fair value adjustments by interest expense adjusted for interest expense related to exchangeable units.

See the 2016 Management's Discussion and Analysis for further details on these non-IFRS measures.

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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. Other than as required by law, Killam does not undertake to update any of such forward-looking statements.*