



May 4, 2017
Halifax, Nova Scotia

KILLAM APARTMENT REIT ANNOUNCES Q1-2017 RESULTS

Killam Apartment REIT (TSX: KMP.UN) ("Killam") today reported its financial results for the first quarter ended March 31, 2017.

"We have had a strong start to the year" noted Philip Fraser, President and CEO. "In addition to achieving increased funds from operations (FFO) per unit and growth in net operating income, we completed an important step in reducing Killam's leverage by raising equity to redeem Killam's outstanding convertible debentures, strengthened our balance sheet and moved Killam's leverage closer to our target debt to total assets ratio of 50%. We are pleased to have completed this transaction early in the year."

"Q1 was active on the acquisition front. We added \$63 million of apartments to our portfolio, including a 50% interest in the two remaining newly developed buildings in the William's Court project and our second apartment property in Calgary. With these acquisitions completed we are well on our way to meeting both our acquisition and geographic diversification targets for the year."

Financial and Operating Highlights

	<i>For the three months ended</i>		
	March 31, 2017	March 31, 2016	Change
Property revenue	\$44,305	\$42,207	5.0%
Net income	\$17,650	\$45,167	(60.9%)
FFO per unit (diluted) ⁽¹⁾	\$0.19	\$0.18	5.6%
AFFO per unit (diluted) ⁽¹⁾	\$0.14	\$0.13	7.7%
AFFO payout ratio ⁽²⁾	90%	100%	(1,000) bps
Same property apartment occupancy ⁽³⁾	95.5%	95.7%	(20) bps
Same property revenue	1.4%		
Same property net operating income	1.8%		

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

(2) AFFO calculation is based on the rolling 12-month period and was revised in Q1-2017 based on the issuance of the new REALpac white paper on AFFO.

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

	<i>As at</i>		
	March 31, 2017	December 31, 2016	Change
Total debt as a percentage of total assets	51.9%	53.5%	(160) bps
Weighted average mortgage interest rate	3.00%	3.01%	(1) bps
Weighted average term to debt maturity (years)	4.3	4.3	—
Interest coverage	2.82x	2.74x	8 bps

Summary of Q1-2017 Results and Operations

FFO per Unit Growth of 5.6%

Killam generated FFO per unit of \$0.19 in Q1-2017, 5.6% higher than the \$0.18 generated in Q1-2016. FFO growth was attributable to a 1.8% increase in same property net operating income (NOI), interest expense savings on mortgage refinancings and the Q3-2016 repayment of the \$57.5 million convertible debentures, as well as contributions from developments and acquisitions. This growth was partially offset by a 16.1% increase in the weighted average number of units outstanding following the equity raises completed in June 2016 and March 2017.

Higher Rents Result in Same Property Revenue Growth

Killam achieved consolidated same property revenue growth of 1.4% in Q1-2017. Increased rents were slightly offset by a 20 bps decrease in same property occupancy. Four of Killam's core markets achieved above average revenue growth in the quarter, including Charlottetown, Moncton, Fredericton and Halifax, up 3.4%, 2.1%, 1.9% and 1.6%, respectively. Killam's Halifax portfolio achieved above average same property rental rate growth of 2.2%. Halifax, representing 38% of Killam's Apartment NOI, is a strong rental market, benefiting from economic growth, urbanization and strong demand for rental apartments with an older demographic transitioning from homeownership to apartment rental.

Same Property NOI up 1.8% ; Driven by 8% Growth in Halifax

Killam's same property expenses increased a modest 0.9% in Q1-2017, contributing to a 1.8% increase in same property NOI. A reduction in the pricing of natural gas in Nova Scotia, quarter over quarter, resulted in savings of \$0.6 million, driving same property NOI growth of 8.0% for Halifax in Q1-2017. The natural gas savings in Halifax, and efficiencies from energy and water reduction initiatives, offset increases in other operating costs across the portfolio.

\$77 Million Equity Raise Supports Acquisitions and Strengthened Balance Sheet

Killam completed a \$77.0 million equity raise on March 13, 2017, issuing 6,088,500 Trust Units at a price of \$12.65 per unit. The net proceeds from the offering were used to fund acquisitions and the redemption of Killam's \$46.0 million, 5.45% convertible debentures on April 13, 2017.

Acquisitions and Dispositions

Killam completed \$63.1 million of acquisitions during Q1-2017, including a 50% interest in the remaining two buildings of the Kanata Lakes apartment development for \$49.2 million. Killam now owns 50% of each of the five buildings, totaling 741 units, known as William's Court in Ottawa. Killam also acquired a 66-unit building in Calgary for \$12.8 million, and five condo units from its Southport Apartments development partner for \$1.1 million. Subsequent to Q1, Killam acquired another \$15.3 million of properties to support its development program and completed the sale of two properties in Ottawa for \$17.1 million. Originally acquired in 2012 as a part of a four building portfolio, the properties did not meet Killam's return expectations. Management plans to invest the net proceeds of \$9.1 million in newer properties.

Fair Value Gains

Following the acquisition of the remaining buildings of the William's Court apartment complex in March 2017, Killam recognized a \$9.5 million fair value gain on its Kanata portfolio, reflecting unitholder value creation from the transaction. Three buildings within the property, acquired in the last year, were purchased at cap-rates 75 - 90 bps higher than the current market cap-rates as the purchase price for the acquisitions was negotiated in 2014 as part of the multi-phase project. Killam also recognized an additional fair value gain related to its downtown Ottawa assets in Q1-2017.

Financial Summary (in thousands, except per unit amounts)

The following chart provides Killam's consolidated financial highlights for the periods ending March 31, 2017, and 2016, 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	
	March 31, 2017	March 31, 2016
Property revenue	\$44,305	\$42,207
Net operating income	\$24,942	\$23,430
Income before fair value adjustments, loss on disposition, and income taxes	\$12,872	\$9,969
Fair value adjustments	\$7,866	(\$4,472)
Net income	\$17,650	\$45,167
Net income attributable to unitholders	\$17,645	\$44,913

Reconciliation of Net Income to FFO	For the three months ended	
	March 31, 2017	March 31, 2016
Net income	\$17,650	\$45,167
Fair value adjustments	(7,866)	4,472
Gain on disposition	—	(27)
Non-controlling interest	(5)	(254)
Deferred tax expense (recovery)	3,088	(39,643)
Interest expense related to exchangeable units	586	711
Unrealized loss on derivative liability	26	—
Depreciation on owner-occupied building	34	33
REIT conversion costs	153	1,050
FFO	\$13,666	\$11,509
FFO per unit - basic	\$0.19	\$0.18
FFO per unit - diluted	\$0.19	\$0.18

Adjustment to Killam's AFFO Calculation

Killam introduced its revised calculation of AFFO, to align with REALpac's recently released white paper on the subject, in its Q1-2017 MD&A. Killam's AFFO maintenance reserve has been increased to \$970 per apartment unit and \$225 per MHC site. Please refer to page 24 of Killam's Q1 MD&A for details on Killam's calculation of AFFO.

Financial Statements

Killam's Condensed Consolidated Interim Financial Statements and Management's Discussion and Analysis for the three months ended March 31, 2017, 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 Friday, May 5, 2017, at 1:00 PM Eastern Time. The dial-in numbers for the conference call are 844-367-6227 (toll free, within North America), passcode 3235273, or 478-212-0509 (international), passcode 3235273.

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 Financial Measures

Management believes these non-IFRS financial measures are relevant measures of the ability of the REIT to earn revenue and to evaluate Killam's financial performance. The non-IFRS measures should not be construed as alternatives to net income (loss) or cash flow from operating activities determined in accordance with IFRS as indicators of Killam's performance or sustainability of its distributions. These measures do not have a standardized meaning under IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies.

- Funds from operations ("FFO"), 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 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 ("AFFO"), and applicable per unit amounts and payout ratios, are calculated by Killam as FFO less \$970 per apartment unit for maintenance capital costs and \$225 per MHC site, which represent a reserve based on three-year historical average of capital spend to maintain and sustain Killam's properties and MHC sites. AFFO are calculated in accordance with the REALpac definition.
- Same property results in relation to Killam are revenues and property operating expenses for stabilized properties Killam has owned for equivalent periods in 2017 and 2016 (97% of the portfolio based on the March 31, 2017 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.
- Debt service coverage is calculated by dividing the 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 and principal mortgage repayments.

See the Q1-2017 MD&A 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.