

PRESS RELEASE

KILLAM PROPERTIES INC.

Halifax, Nova Scotia

August 5, 2015

KILLAM PROPERTIES INC. ANNOUNCES STRONG Q2-2015 RESULTS, INCLUDING 16.7% GROWTH IN FFO PER SHARE, AND \$16.7 MILLION IN ACQUISITIONS

Killam Properties Inc. ("Killam" or the "Company") (TSX: KMP) announced its financial and operating results for the second quarter ended June 30, 2015.

Q2 Highlights

- Generated funds from operations ("FFO") per share (diluted) of \$0.21, a 16.7% increase from \$0.18 in Q2-2014.
- Earned adjusted funds from operations ("AFFO") of \$0.18, a 12.5% increase from \$0.16 in Q2-2014, and reduced the rolling 12 month AFFO payout ratio to 91%.
- Increased same store rental revenue by 2.3%.
- Achieved same store net operating income ("NOI") growth of 4.0%.
- Grew the investment properties portfolio with the completion of a \$25.3 million development and an \$8.3 million acquisition. Subsequent to Q2, Killam completed an \$8.4 million acquisition.
- Achieved interest expense savings, reducing the weighted average interest rate on mortgages to 3.41% at June 30, 2015, from 3.51% at March 31, 2015.

Highlights from the Six Months Ended June 30, 2015

- Generated FFO per share of \$0.35, a 12.9% increase from \$0.31 during the six months ended June 30, 2014.
- Earned AFFO of \$0.30, a 15.4% increase from \$0.26 for the six months ended June 30, 2014.
- Increased same store rental revenue by 2.4%.
- Achieved same store NOI growth of 4.4%.
- Completed \$35.8 million in acquisitions.
- Completed two developments, adding \$36.1 million of value to the investment properties portfolio.

Financial Highlights (in thousands, except per share amounts)

For the three months ended,	June 30, 2015	June 30, 2014	Change
Property Revenue	\$41,452	\$36,518	13.5%
Net Operating Income	\$25,196	\$21,441	17.5%
Income Before Fair Value (Loss) Gain, (Loss)			
Gain on Disposition, and Income Taxes	\$12,953	\$10,301	25.7%
Fair Value (Loss) Gain	(\$613)	\$8,200	(107.5%)
Net Income Attributable to Common Shareholders	\$8,753	\$13,671	(36.0%)
Earnings Per Share (diluted)	\$0.14	\$0.23	(39.1%)
FFO	\$12,912	\$10,173	26.9%
FFO per Share (diluted)	\$0.21	\$0.18	16.7%
AFFO per Share (diluted)	\$0.18	\$0.16	12.5%
For the six months ended,	June 30, 2015	June 30, 2014	Change
Property Revenue	\$80,988	\$71,583	13.1%
Net Operating Income	\$45,851	\$39,061	17.4%
Income Before Fair Value (Loss) Gain, (Loss)			
Gain on Disposition, and Income Taxes	\$22,075	\$17,347	27.3%
Fair Value Gain	\$180	\$8,200	(97.8%)
Net Income Attributable to Common Shareholders	\$15,675	\$18,540	(15.5%)
Earnings Per Share (diluted)	\$0.25	\$0.32	(21.9%)
FFO	\$21,835	\$17,009	28.4%
FFO per Share (diluted)	\$0.35	\$0.31	12.9%
AFFO per Share (diluted)	\$0.30	\$0.26	15.4%
As at	June 30, 2015	Dec 31, 2014	Change
Total Assets	\$1,845,786	\$1,775,234	4.0%
Total Liabilities	\$1,167,682	\$1,112,551	5.0%
Total Equity	\$678,104	\$662,683	2.3%
Total Debt to Total Assets	55.3%	54.9%	40 bps

16.7% Growth in FFO per Share

Killam generated FFO per share growth of 16.7% in Q2-2015 and 12.9% for the six months ended June 30, 2015. FFO growth in Q2 was primarily attributable to a 4.0% increase in same store property NOI, contributions from acquisitions and developments, and interest expense savings on refinancings.

AFFO per share increased by 12.5% in the quarter and 15.4% during the first six months of the year. This growth translated to a marked improvement in Killam's AFFO payout ratio for the last twelve months, to 91%, from 99% for the twelve months ended June 30, 2014.

Strong NOI Growth in Q2

Consolidated same store results for the three and six months ended June 30, 2015, and 2014, are summarized below:

Consolidated Same Store NOI (in thousands)

For the three months ended,	June 30, 2015	June 30, 2014	% Change
Property Revenue	\$35,504	\$34,708	2.3%
Property Expenses			
Operating Expenses	(5,957)	(5,843)	2.0%
Utility and Fuel Expenses	(4,277)	(4,470)	(4.3%)
Property Taxes	(4,032)	(3,971)	1.5%
Total Property Expenses	(14,266)	(14,284)	(0.1%)
Net Operating Income	\$21,238	\$20,424	4.0%

Consolidated Same Store NOI (in thousands)

For the six months ended,	June 30, 2015	June 30, 2014	% Change
Property Revenue	\$70,123	\$68,512	2.4%
Property Expenses			
Operating Expenses	(11,759)	(11,610)	1.3%
Utility and Fuel Expenses	(11,204)	(11,514)	(2.7%)
Property Taxes	(8,055)	(7,947)	1.4%
Total Property Expenses	(31,018)	(31,071)	(0.2%)
Net Operating Income	\$39,105	\$37,441	4.4%

A 2.3% increase in same store revenue was achieved in Q2 through increased rental rates, a 60 basis point improvement in apartment occupancy and a reduction in rental incentives. All regions contributed positively to revenue growth, with the highest gains realized in Killam's core markets of St. John's, Charlottetown and Ontario. Killam's Halifax portfolio, which accounted for 40% of the Company's apartment NOI in Q2-2015, generated a 1.7% increase in revenue, attributable to a 100 basis point improvement in occupancy and a 1.4% increase in average rents.

Same store property operating expenses decreased 0.1% in Q2-2015, driven by a 4.3% reduction in utility and fuel expense. The improvement was attributable to lower oil and natural gas prices and a reduction in energy and water consumption as a result of capital programs focused on energy and water saving initiatives. Killam also managed controllable costs, limiting same store operating expenses to a modest increase of 2.0% through a continued focus on regional efficiencies.

Developments and Acquisitions Contributed Positively to FFO

Acquisitions made during the last twelve months, the recently completed Chelsea Place and two previous developments that were stabilized partway through 2014, contributed \$1.7 million to FFO growth quarter-over-quarter. Saginaw Gardens, a 122-unit building in Cambridge, Ontario, was completed in June 2015 and is expected to contribute to FFO growth during the second half of the year.

\$8.3 Million Acquisition and a \$1.0 Million Land Disposition Completed in Q2

On June 15, 2015, Killam completed the acquisition of 20 Technology Drive in Saint John, New Brunswick. Construction of the new 59-unit concrete building, located adjacent Killam's 40 Technology Drive, was completed in late 2014. The four-story building includes large contemporary units, in-suite laundry and extensive amenity space, including a common room, fitness room and theatre. The building contains 19 one-bedroom units and 40 two-bedroom units. The average monthly rent per unit is \$1,210. The purchase price of \$8.3 million (\$140,000 per unit) was satisfied with a new CMHC insured mortgage for \$6.0 million at 2.13%, and the balance in cash. The capitalization rate on the acquisition is 6.1%. As part of the transaction, Killam sold to the vendor (of 40 Technology Drive) a 34,000 square foot lot at the corner of Cameron Street and St. George Boulevard in Moncton for \$1.0 million, and provided a vendor-take-back, interest only, mortgage of \$0.95 million at 6.5% for five years.

\$8.4 Million Acquisition Completed Post-Q2

On August 5, 2015, Killam closed the acquisition of 5880 Spring Garden Road, 1489/1491 Carlton Street, 1483 Carlton Street and 1471 Carlton Street in Halifax, Nova Scotia. The existing properties are a combination of commercial and residential assets and are located directly across from Killam's Spring Garden Terrace property. The largest of the properties is known as the Medical Arts Building, an 18,000 square foot office building that Killam plans to redevelop in the future. The total purchase price of \$8.4 million was satisfied with the issuance of \$2.5 million in common shares of Killam, and the balance in cash. Killam expects to place mortgages of \$4.5 million on the properties during Q3-2015.

Interest Expense Savings on Mortgage Refinancings

During Q2-2015, Killam successfully refinanced \$24.1 million of maturing apartment mortgages with \$34.1 million of new debt at a weighted average interest rate of 1.90%, 152 bps lower than the weighted average interest rate prior to refinancing, all for 5-year terms. The Company also refinanced one MHC mortgage at 3.43%, 194 bps lower than the interest rate prior to refinancing. The Company's weighted average interest rate decreased to 3.41% at June 30, 2015, from 3.51% at March 31, 2015, and 3.60% at December 31, 2014.

Management's Comments

"We are pleased to present another quarter of strong FFO per share growth", noted Philip Fraser, Killam's President & CEO. "Our properties realized strong earnings growth in Q2, generating a 4% increase in same store NOI."

"Our team is focused on maximizing Killam's top-line growth and we are realizing the benefit of recent leasing, marketing and customer retention initiatives. Occupancy remained stable in Q2, a quarter which often experiences a dip in occupancy in advance of the September peak. In addition to improved revenue growth in the quarter from higher occupancy, we are well positioned to maximize revenue as we enter our strongest leasing period."

"The lease-up of our two new developments has exceeded our expectations. Chelsea Place in St. John's (phase I and II completed in December 2014 and March 2015) is now fully leased. Saginaw Gardens in Cambridge, which was completed only a month ago, is already 72% leased and we expect the property to be fully occupied by the end of the year. Demand for the new product we've introduced into both markets has been robust, catering to a demographic transitioning from home ownership into apartment style living. We are anticipating a year-one yield of approximately 6% on both these new developments. With existing parcels of land for development adjacent each of these properties, we are optimistic about future development potential in both areas."

"Development will be an important growth component for Killam into the future. We are able to achieve yields that are superior to the current acquisition environment and we are increasing the quality of our portfolio with new, energy efficient properties, with minimal maintenance requirements expected for many years."

Financial Statements

Killam's Q2-2015 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 Thursday, August 6, 2015, at 11:00 AM Eastern. The dial-in numbers for the conference call are 416-340-2220 (in Toronto) or 866-225-6564 (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 <http://www.gowebcasting.com/6642>.

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.
- FFO is calculated by the Company as net income plus deferred tax expense, fair value losses, depreciation on owner-occupied property, loss on disposition and tax planning costs relating to the Company's potential REIT conversion, less fair value gains, gain on disposition and non-controlling interest.
- AFFO is calculated by subtracting the capital spend related to maintaining the earnings capacity of the portfolio from FFO; Killam uses the industry standard to \$450 per apartment unit per year, and \$100 per MHC site.
- 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 2015 and 2014.
- Interest coverage is calculated by dividing the earnings before interest, tax, depreciation, gain or loss on disposition and fair value adjustments by interest expense.

See the Q2-2015 Management's Discussion and Analysis for further details on these non-IFRS measures.

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