



November 1, 2016
Halifax, Nova Scotia

KILLAM APARTMENT REIT ANNOUNCES Q3-2016 RESULTS, INCLUDING 3.0% SAME PROPERTY NOI GROWTH, \$0.24 IN FFO PER UNIT, IMPROVED LEVERAGE AND THE COMPLETION OF ITS NEWEST DEVELOPMENT PROJECT

Killam Apartment REIT (TSX: KMP.UN) ("Killam") is pleased to report its Q3-2016 results, including diluted funds from operations ("FFO") per unit of \$0.24, consistent with \$0.24 in Q3-2015. "We made meaningful progress on our strategic priorities during the quarter" noted Philip Fraser, President and CEO. "We achieved net operating income ("NOI") growth of 3.0% from our same property portfolio and we completed our eighth development project in August, the 70-unit Southport Apartments in Halifax. Currently 98% leased, Southport's very fast lease-up has exceeded our expectations."

"We also completed two important balance sheet transactions during the third quarter. We redeemed \$57.5 million of convertible debentures and finalized a \$28 million expansion of our acquisition line of credit, which has strengthened our balance sheet. With these changes we reduced our total debt to 53.2% of assets and increased our acquisition capacity to \$100 million, enhancing our ability to react quickly to accretive growth opportunities."

Financial and Operating Highlights

	<i>For the three months ended</i>			<i>For the nine months ended</i>		
	September 30, 2016	September 30, 2015	Change	September 30, 2016	September 30, 2015	Change
FFO per unit/share (diluted) ⁽¹⁾	\$0.24	\$0.24	—%	\$0.65	\$0.59	10.2%
AFFO per unit/share (diluted) ^{(1) (2)}	\$0.21	\$0.21	—%	\$0.58	\$0.51	13.7%
AFFO payout ratio - rolling 12 months	81%	90%	(900) bps	—%	—%	—%
Same property apartment occupancy ⁽³⁾	95.8%	95.1%	70 bps	95.8%	95.1%	70 bps
Same property revenue growth	2.2%			1.8%		
Same property net operating income growth	3.0%			4.7%		

(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) Adjusted funds from operations, as defined under non-IFRS measures below.

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

	<i>As at</i>		
	September 30, 2016	December 31, 2015	Change
Total debt as a percentage of total assets	53.2%	56.5%	(330) bps
Weighted average mortgage interest rate	3.08%	3.27%	(19) bps
Weighted average term to debt maturity (years)	4.2	4.2	—
Interest coverage ratio - rolling 12 months	2.81x	2.34x	47 bps

Summary of Q3-2016 Results and Operations

Strengthened Balance Sheet

Following the \$98 million equity raise completed in June 2016, Killam redeemed \$57.5 million of convertible debentures on July 4, 2016. This initiative contributed to a 330 basis point improvement in Killam's leverage ratio, ending the third quarter with 53.2% debt as a percentage of total assets compared to 56.5% at December 31, 2015. Killam also used funds from the equity raise to increase its portfolio of unencumbered assets, facilitating a significant increase to its acquisition credit facility, increasing it to \$30 million, up from \$2 million.

Stable FFO Despite 14% Increase in Weighted Average Number of Units Outstanding

FFO increased 15% in the quarter, to \$17.0 million, from \$14.8 million in Q3-2015. The increase was attributable to 3.0% growth in same property NOI, contributions from developments and acquisitions, and lower interest expense. These increases were partially offset by higher administration expense; accelerated vesting of restricted trust units ("RTUs") for certain participants, as a result of the RTU plan's retirement clause, lead to an additional \$0.7 million in non-cash unit-based compensation expense in the quarter. Despite growth in FFO, FFO per unit was flat quarter-over-quarter at \$0.24 due to the 14% increase in the weighted average number of units outstanding following the June 2016 equity raise.

Higher Rents and Improved Occupancy Results in Same Property Revenue Growth

Killam achieved consolidated same property revenue growth of 2.2% in Q3. Both increased rents and higher occupancy levels contributed to improved revenue in the quarter. The Halifax market achieved the highest revenue growth in Killam's core markets with 3.8% same property revenue growth. Halifax, representing 36% of Killam's total NOI, is a strong rental market, benefiting from economic growth, urbanization and strong demand for rental apartments from an older demographic transitioning from home ownership to apartment rental. Killam's Ontario portfolio also achieved above-average revenue growth in the quarter, up 3.0%, attributable to both increased rental rates and occupancy improvements.

Water and Natural Gas Savings Moderated Expense Growth

Lower water costs achieved with the installation of low-flow water fixtures over the last year and lower natural gas rates contributed to a 2.4% decrease in utility and energy expenses in the quarter. These savings, combined with lower quarter-over-quarter garbage collection rates, helped to offset the impact of higher operating costs, most notably insurance costs. Total same property operating expenses were up only 0.9% in the quarter.

Lower Interest Rates Contributed to Earnings Growth

Killam benefited from lower interest rates on mortgages refinanced during the second half of 2015 and during 2016, contributing to a 6.0% reduction in same property interest expense in the quarter. During Q3-2016, Killam successfully refinanced \$23 million of maturing apartment mortgages with \$37 million of new debt at a weighted average interest rate of 1.76%, 226 basis points ("bps") lower than the weighted average interest rate prior to refinancing. Killam's weighted average mortgage interest rate decreased 19 bps to 3.08% as at September 30, 2016, from 3.27% as at December 31, 2015.

Growth from Acquisitions and Developments

The \$57 million in acquisitions completed during Q2-2016 contributed positively to FFO during Q3, as did the quarter-over-quarter NOI growth achieved from Killam's Saginaw development in Cambridge, which was completed in Q2-2015. Killam's newest development, Southport Apartments, completed at the end of August 2016, started collecting rents in September. Although it was only open for the month of September, it achieved 68% of its revenue potential in the month and contributed positively to FFO - both measures exceeding Management's expectation for its first month of operations.

Financial Summary (in thousands, except per unit amounts)

The following chart provides Killam's consolidated financial highlights for the periods ending September 30, 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 (unaudited)	For the three months ended		For the nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Property revenue	\$45,078	\$43,193	\$131,133	\$124,181
Net operating income	\$28,350	\$27,178	\$79,052	\$73,029
Income before fair value adjustments, loss on disposition, and income taxes	\$16,270	\$15,010	\$40,563	\$37,085
Fair value adjustments	\$3,649	\$1,368	(\$9,563)	\$1,548
Net income	\$17,966	\$11,621	\$66,801	\$27,731
Net income attributable to unitholders/shareholders	\$17,964	\$11,462	\$63,336	\$27,137

Reconciliation of Net Income to FFO	For the three months ended		For the nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Net Income	\$17,966	\$11,621	\$66,801	\$27,731
Fair value adjustments	(3,649)	(1,368)	9,563	(1,548)
Non-controlling interest	(2)	(284)	(528)	(793)
Deferred tax expense (recovery)	1,953	4,831	(36,065)	10,793
Interest expense related to exchangeable units	663	—	2,079	—
Depreciation of owner-occupied building	47	53	124	146
Unrealized loss on derivative liability	(15)	—	116	—
Loss on disposition	—	(74)	264	109
REIT conversion costs	58	—	1,308	177
FFO	\$17,021	\$14,779	\$43,662	\$36,615
FFO per unit/share (diluted)	\$0.24	\$0.24	\$0.65	\$0.59

Financial Statements

Killam's Condensed Consolidated Interim Financial Statements and Management's Discussion and Analysis for the quarter ended September 30, 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, November 2, 2016, at 10:00 AM Eastern Time. The dial-in numbers for the conference call are 416-340-2216 (in Toronto) or 866-223-7781 (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 \$1.95 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 the 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:

- Net operating income is calculated by Killam as income from property operations.
- FFO is calculated by Killam as net income plus deferred tax expense, interest expense related to exchangeable units, depreciation on owner-occupied property, fair value losses, loss on disposition and REIT conversion costs, less fair value gains, gains on disposition, deferred tax recovery 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 \$450 per apartment unit per year, and \$100 per MHC site.
- 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 September 30, 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.

See the Q3-2016 Management's Discussion and Analysis for further details on these non-IFRS measures.

For information, please contact:

Dale Noseworthy, CPA, CA, CFA
Vice President, Investor Relations and Corporate Planning
dnoseworthy@killamREIT.com
(902) 442-0388

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.