May 10, 2016
Halifax, Nova Scotia

KILLAM APARTMENT REIT ANNOUNCES 20% INCREASE IN FFO PER UNIT IN Q1-2016

Killam Apartment REIT (TSX: KMP.UN) ("Killam") is pleased to report its Q1-2016 results, including diluted funds from operations ("FFO") per unit of $0.18, up from $0.15 in Q1-2015. “Our record Q1 results set Killam up for a strong 2016,” noted Philip Fraser, President and CEO. “Our same property portfolio performed exceptionally well, achieving an 8% increase in net operating income, benefiting from top-line growth and lower energy and utility costs. Our acquisitions and developments completed in 2015 and interest expense savings on refinancings also contributed to the 20% increase in FFO per unit.”

Financial and Operating Highlights

	For the three months ended	
	Mar 31, 2016	**Mar 31, 2015**
FFO per unit/share (diluted) (1)	$0.18	$0.15
AFFO per unit/share (diluted) (1) (2)	$0.16	$0.12
AFFO payout ratio - rolling 12 months	82%	94%
Apartment occupancy (3)	95.7%	95.5%
Same property revenue growth	1.5%	
Same property net operating income growth	8.0%	

(1) Killam completed a REIT conversion on Jan 1, 2016. Per unit references in 2016 are based on Trust and Exchangeable Units. Per share references in 2015 are based on common shares.
(2) Adjusted funds from operations, as defined under non-IFRS measures
(3) Occupancy represents actual residential rental revenue net of vacancy, as a percentage of gross potential residential rent from stabilized properties.

	As at	
	Mar 31, 2016	**Dec 31, 2015**
Total debt to total assets	55.8%	55.7%
Weighted average mortgage interest rate	3.23%	3.27%
Weighted average term to debt maturity	4.1 years	4.2 years
Interest coverage ratio	2.43	2.34

Summary of Q1-2016 Results and Operations

20% Growth in FFO per Unit

Killam generated FFO per unit growth of 20% quarter-over-quarter, earning $0.18 in Q1-2016 compared to $0.15 in Q1-2015. The earnings growth was attributable to strong same property net operating income ("NOI"), contributions from developments and acquisitions completed in 2015 and interest expense savings from refinancings.

Higher Rents and Improved Occupancy Results in Same Property Revenue Growth

Killam continues to generate top-line growth, achieving same property revenue growth of 1.5% in Q1. Increased rents and higher occupancy levels both contributed to improved revenues. Importantly, same property revenues were up 3.2% in Halifax in Q1, the highest revenue growth in Killam’s core markets.

Warmer Temperatures and Lower Gas Costs Drive 8% NOI Growth

Killam’s same property expenses decreased 5.6% in Q1-2016, contributing to the 8.0% increase in same property NOI compared to Q1-2015. Lower natural gas, oil and electricity costs led the reduction in expenses with a 12.9% decrease in same property utility and fuel expense. The savings were attributable to warmer weather, lower natural gas costs in New Brunswick and Ontario, lower oil prices and energy efficiency initiatives. A decrease in operating expenses and relatively flat property tax expenses also contributed to the strong NOI growth in the quarter.

2015 Developments and Acquisitions Contribute to FFO Growth

Killam completed $54 million in acquisitions in 2015 and $38 million of condo-quality apartment developments. These properties contributed an additional $0.8 million in FFO in Q1-2016 compared to Q1-2015.

Lower Interest Rates Contribute to Earnings Growth

Killam benefited from lower interest rates on mortgages refinanced in 2015 and Q1-2016, resulting in a $0.4 million reduction in same property interest expense in the quarter. During Q1-2016, Killam successfully refinanced $13.9 million of maturing apartment mortgages with $28.4 million of new debt at a weighted average interest rate of 2.51%, 208 bps lower than the weighted average interest rate prior to refinancing. Killam’s weighted average mortgage interest rate decreased to 3.23% at March 31, 2016, from 3.27% at December 31, 2015.

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

The following chart provides Killam’s consolidated financial highlights for the periods ending March 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.

Consolidated Financial Highlights	*For the three months ended*	
	Mar 31, 2016	**Mar 31, 2015**
Property revenue	$42,207	$39,536
Net operating income	$23,430	$20,655
Income before fair value adjustments, gain on disposition, and income taxes	$9,969	$9,122
Fair value adjustments	($4,472)	$793
Net income	$45,167	$7,168
Net income attributable to unitholders/shareholders	$44,913	$6,922

Reconciliation of Net Income to FFO	*For the three months ended*	
	Mar 31, 2016	**Mar 31, 2015**
Net Income	$45,167	$7,168
Fair value adjustments	4,472	(793)
Non-controlling interest	(254)	(246)
Deferred tax (recovery) expense	(39,643)	2,747
Interest expense related to exchangeable units	711	-
Depreciation of owner-occupied building	33	46
Gain on disposition	(27)	-
REIT conversion costs	1,050	-
FFO	$11,509	$8,922
FFO per unit/share (diluted)	$0.18	$0.15

New Acquisitions in Halifax and Ottawa

Killam is pleased to announce two acquisitions totalling $54.6 million scheduled to close during the second quarter of 2016. Killam has agreed to acquire the remaining 51% interest in Garden Park Apartments in Halifax for $23.7 million, which will result in Killam owning 100% of this well-located property. Killam has been acquiring partial ownership interests in the 246-unit building since its first investment in the property in 2005 and has been acting as the property manager for the building since 2011. The Garden Park acquisition will be fully-funded through a new mortgage on the property; the property is currently free and clear of mortgage debt. The acquisition is expected to close in June 2016.

Killam is also scheduled to acquire a 50% interest in Kanata Lakes Apartments III, located at 1047 Canadian Shields Avenue in Ottawa. The 173-unit apartment building was completed in late 2014 and is the third of a five-building complex with a shared clubhouse. Killam already has a 50% interest in both Kanata Lakes Apartments I and II. The acquisition cost of $30.8 million for Killam's 50% interest will be funded through a new 10-year CMHC-insured mortgage and cash. The acquisition is expected to close in May 2016. Killam and its 50/50 partner have the two remaining buildings in the Kanata Lakes apartment development under contract, with closings scheduled for Q1-2017.

Mr. Fraser commented on the acquisitions, saying "These two acquisitions enable us to expand our portfolio with two exceptional assets with which we are already familiar. Acquiring the remaining 51% interest in Garden Park Apartments gives Killam full control over one of the best located apartment properties in Halifax. Also, the purchase of the 50% interest in Kanata Lakes III builds on our already established interest in this unique condo-quality apartment development and increases our investment in the Ottawa market."

Financial Statements

Killam's Condensed Consolidated Interim Financial Statements and Management's Discussion and Analysis for the quarter ended March 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, May 11, 2016, at 2:00 PM Eastern. The dial-in numbers for the conference call are 416-340-8527 (in Toronto) or 866-355-4959 (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/7440.

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 $1.8 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.

- 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 a calculated by subtracting the capital spend related to maintaining the earning's 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 (98% of the portfolio based on the March 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.

See the Q1-2016 Management's Discussion and Analysis for further details on these non-IFRS measures.

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