

PRESS RELEASE

KILLAM PROPERTIES INC.

Halifax, Nova Scotia

May 5, 2015

KILLAM PROPERTIES INC. ANNOUNCES STRONG Q1-2015 RESULTS WITH 25% FFO PER SHARE GROWTH

Killam Properties Inc. ("Killam" or the "Company") (TSX: KMP) announced its financial and operating results for the first quarter ended March 31, 2015.

Q1 Highlights

- Generated funds from operations ("FFO") per share (diluted) of \$0.15, a 25.0% increase from \$0.12 in Q1-2014.
- Increased same store rental revenue by 2.4%.
- Achieved same store net operating income ("NOI") growth of 5.0%.
- Completed a \$27.5 million acquisition and a \$22.5 million development.
- Achieved interest expense savings, reducing the weighted average interest rate on mortgages at March 31, 2015, to 3.51% from 3.60% at December 31, 2014.

Financial Highlights (in thousands, except per share amounts)

For the three months ended,	Mar 31, 2015	Mar 31, 2014	Change
Property Revenue	\$39,536	\$35,065	12.8%
Net Operating Income	\$20,655	\$17,620	17.2%
Income Before Fair Value Losses, Gain on Disposition, and Income Taxes	\$9,122	\$7,046	29.5%
Fair Value Gains	\$793	\$0	n/a
Net Income Attributable to Common Shareholders	\$6,922	\$4,869	42.2%
Earnings Per Share (diluted)	\$0.11	\$0.09	22.2%
Funds from Operations	\$8,922	\$6,827	30.7%
Funds from Operations per Share (diluted)	\$0.15	\$0.12	25.0%

As at	Mar 31, 2015	Dec 31, 2014	Change
Total Assets	\$1,827,490	\$1,775,234	2.9%
Total Liabilities	\$1,151,797	\$1,112,551	3.5%
Total Equity	\$675,693	\$662,683	2.0%
Total Debt to Total Assets	55.1%	54.9%	20 bps

25% Growth in FFO per Share

Killam generated FFO per share growth of 25.0% quarter-over-quarter, earning \$0.15 per share in Q1-2015 compared to \$0.12 in Q1-2014. The earnings growth was primarily attributable to same store property NOI growth of 5.0%, contributions from acquisitions and stabilized developments, and interest expense savings from refinancings.

Strong NOI Growth in Q1

Consolidated same store results for the three months ended March 31, 2015, and 2014, are summarized below:

Consolidated Same Store NOI (in thousands)

For the three months ended,	Mar 31, 2015	Mar 31, 2014	% Change
Property Revenue	\$34,619	\$33,804	2.4%
Property Expenses			
Operating Expenses	(5,803)	(5,766)	0.6%
Utility and Fuel Expenses	(6,927)	(7,044)	(1.7%)
Property Taxes	(4,022)	(3,977)	1.1%
Total Property Expenses	(16,752)	(16,787)	(0.2%)
Net Operating Income	\$17,867	\$17,017	5.0%

Killam's same store revenue grew by 2.4% in the quarter, achieved through increased rental rates, an 80 basis point improvement in apartment occupancy levels and a reduction in rental incentives. All regions contributed positively to revenue growth, with the largest gains realized in St. John's, Fredericton and Ontario. Killam's Halifax portfolio, which accounted for 40% of the Company's same store apartment NOI in Q1-2015, generated a 2.1% increase in revenue growth, attributable to a 70 basis point improvement in occupancy and a 1.5% increase in average rents.

Killam's same store total property expenses decreased by 0.2% in Q1-2015, contributing to the 5.0% NOI growth. During Q1-2015, the Company benefited from lower oil prices, with the apartment portfolio enjoying a 24.4% reduction in oil expense. Total natural gas costs were comparable quarter-over-quarter, as higher natural gas prices in both Halifax and Ontario offset lower pricing in New Brunswick. Killam successfully managed controllable costs through a continued focus on regional efficiencies. Despite a 15% increase in snow removal costs as a result of record snowfall in many of Killam's core markets in Atlantic Canada in Q1-2015, operating expenses increased by only 0.6%.

\$28 Million Acquisition Completed in Q1

On March 31, 2015, the Company completed a \$27.5 million acquisition in Halifax. The acquisition includes a modernized heritage complex, with 158,000 square feet of office and retail space, for \$22.3 million, representing a capitalization rate of 7.0%. Killam also acquired a 50% interest in 47,650 square feet of vacant land adjacent the commercial property for \$5.2 million. An approved development agreement allows for the construction of a 280-unit multi-residential property on the vacant land.

Killam and its 50% partner expect to begin construction during the second half of 2015. Management continues to look for acquisition opportunities and has maintained its 2015 target of completing \$75 million in acquisitions, with 50% of acquisitions outside Atlantic Canada.

Developments Contribute Positively to FFO

Killam completed the 102-unit Chelsea Place development in St. John's during the first quarter and the property is currently 87% leased. Developments, including Chelsea Place and two projects completed in 2013 and fully stabilized during the second half of 2014, contributed \$0.3 million to FFO growth in the quarter.

The Company's 122-unit Saginaw Gardens development in Cambridge, Ontario is expected to be completed during the second quarter and is currently 39% pre-leased. Saginaw Gardens is expected to contribute positively to FFO during the second half of 2015.

Interest Expense Savings on Mortgage Refinancings

Killam benefited from interest rate savings on mortgage refinancings during Q1-2015 and reduced its weighted average mortgage interest rate to 3.51% from 3.60% at December 31, 2014. Total debt as a percentage of total assets was 55.1% at March 31, 2015, compared to 54.9% at December 31, 2014. Killam's interest coverage ratio for the last twelve months was 2.25 times, up from 2.18 times at December 31, 2014.

Management's Comments

"We are pleased to present strong financial results for the first quarter", noted Philip Fraser, Killam's President & CEO. "FFO per share growth of 25% reflects the positive impact of our recent acquisitions and developments, and 5% NOI growth from our same store properties."

"Realizing revenue growth from our existing portfolio is important for Killam's FFO per share growth. We are pleased to have achieved occupancy improvement from our stabilized properties this quarter, as well as increased rental revenue in each of our core markets. Killam's committed employees are making the difference by focusing on strong customer relationships and keeping our properties well maintained."

"Lower utility costs also contributed to the 5% NOI growth. Unlike the last two years, where Q1 utility costs increased by 18.5% and 19.2% (2014 and 2013), utility costs were down 2.0% for our same store properties in Q1-2015. Although natural gas prices remained high during the winter in Atlantic Canada, Killam realized a 1.1% savings in same store natural gas expense in the first quarter of 2015. Lower oil costs also contributed to utility savings."

“The strategy of geographic diversification and increased investment in Ontario and Alberta is reflected in Killam’s Q1-2015 results, with 19.9% of apartment NOI generated in Ontario and Alberta, compared to 12.7% in Q1-2014. We look forward to growing Killam’s investment in these regions to reach our goal of generating 50% of Killam’s NOI outside Atlantic Canada.”

Financial Statements

Killam’s Q1-2015 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 Wednesday, May 6, 2015, at 9:00 AM Eastern. The dial-in numbers for the conference call are 647-427-7450 (in Toronto) or 888-231-8191 (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 www.newswire.ca.

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.
- Funds from operations are calculated by the Company as net income plus deferred tax expense and depreciation on owner-occupied property, less fair value gains and non-controlling interest.
- 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, and fair value adjustments by interest expense.

See the Q1-2015 Management’s Discussion and Analysis for further details on these non-IFRS measures.

For Further Information Please Contact:

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