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Halifax, Nova Scotia

KILLAM APARTMENT REIT ANNOUNCES A 9.5% INCREASE IN FFO PER UNIT IN Q2-2016; STRONG SAME PROPERTY PERFORMANCE, ACQUISITIONS AND DEVELOPMENTS AND INTEREST SAVINGS DRIVE GROWTH

Killam Apartment REIT (TSX: KMP.UN) ("Killam") is pleased to report its Q2-2016 results, including diluted funds from operations ("FFO") per unit of \$0.23, up from \$0.21 in Q2-2015. "Q2-2016 marks the sixth consecutive quarter of strong FFO per unit growth for Killam," noted Philip Fraser, President and CEO. "Increased net operating income from our same property portfolio, accretive acquisitions and developments and interest expense savings on refinancings all contributed to the 9.5% increase in FFO per unit."

"In addition to generating strong operating results, we have strengthened Killam's balance sheet and expanded the Trust's acquisition capacity following the closing of our \$98.0 million equity raise in June. With the raise proceeds we: 1) reduced debt with the redemption of \$57.5 million of convertible debentures on July 4, 2016, 2) completed \$57 million in high-quality acquisitions, and 3) increased our portfolio of unencumbered assets. In July we expanded our acquisition line of credit by \$28 million. With more conservative leverage, added acquisition capacity and an adjusted funds from operations ("AFFO") payout ratio of 81%, we are well positioned for growth in the future."

Financial and Operating Highlights

	<i>For the three months ended</i>			<i>For the six months ended</i>		
	June 30, 2016	June 30, 2015	Change	June 30, 2016	June 30, 2015	Change
FFO per unit/share (diluted) ⁽¹⁾	\$0.23	\$0.21	9.5%	\$0.41	\$0.35	17.1%
AFFO per unit/share (diluted) ^{(1) (2)}	\$0.20	\$0.18	11.1%	\$0.36	\$0.30	20.0%
AFFO payout ratio - rolling 12 months	81%	91%	(1,000) bps	81%	91%	(1,000) bps
Apartment occupancy ⁽³⁾	95.7%	95.1%	60 bps	95.7%	95.1%	60 bps
Same property revenue growth	1.8%			1.6%		
Same property net operating income growth	3.8%			5.7%		

(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 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>		
	June 30, 2016	December 31, 2015	Change
Total debt to total assets	54.5%	55.7%	(120) bps
Weighted average mortgage interest rate	3.15%	3.27%	(12) bps
Weighted average term to debt maturity	4.3	4.2	0.1 years
Interest coverage ratio - rolling 12 months	2.48x	2.34x	14 bps

Summary of Q2-2016 Results and Operations

9.5% Growth in FFO per Unit

Killam generated FFO per unit growth of 9.5%, earning \$0.23 in Q2-2016 compared to \$0.21 in Q2-2015. The growth was primarily attributable to strong same property net operating income ("NOI"), contributions from developments and acquisitions, and interest expense savings. Also contributing to higher FFO in the quarter was a \$0.5 million early payout of a head lease for commercial space at Killam's Calgary asset. These increases were partially offset by a 5.6% increase in the weighted average units outstanding.

Growth in Rental Rates and Improved Occupancy

Killam continues to generate top-line growth, achieving same property revenue growth of 1.8% in Q2. Increased rents and higher occupancy levels both contributed to improved revenue in the quarter. The Halifax market outperformed for the third quarter in a row, achieving 3.8% same property growth, the highest revenue growth of Killam's core markets. Halifax, representing 36% of Killam's 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.

Operating Expense Savings Boost NOI Growth

Killam's same property expenses decreased by 1.3% in Q2, contributing to a 3.8% increase in same property NOI. Lower energy and water expenses, garbage contract savings and a quarter-over-quarter reduction in snow clearing costs more than offset moderate increases in other operating costs.

\$98 Million Equity Raise Completed

Killam completed a \$98.0 million equity raise on June 2, 2016, issuing 8,165,000 Trust units at a price of \$12.00 per unit. The net proceeds from the offering were used to redeem \$57.5 million of convertible debentures on July 4, 2016, to fund acquisitions, and to increase Killam's portfolio of unencumbered assets. The transaction strengthened Killam's balance sheet - subsequent to the redemption of the convertible debentures on July 4, 2016, Killam's debt to total assets was reduced to 53.1%, compared to 55.8% at March 31, 2016.

\$57 Million of Acquisitions Completed

During the second quarter Killam completed \$56.6 million of acquisitions, exceeding Management's minimum acquisition target of \$50 million for the year. Acquisitions included a 50% interest in the 173-unit Kanata Lakes Apartment III in Ottawa for \$31.1 million, the remaining 51% interest in the 246-unit Garden Park Apartments in Halifax for \$23.7 million and a 28-unit apartment building in Fredericton for \$1.8 million. The Garden Park acquisition was completed without mortgage debt, allowing Killam to increase the value of its unencumbered assets to approximately \$47 million, and its acquisition capacity to approximately \$100 million.

Lower Interest Rates Contributed to Earnings Growth

Killam benefited from lower interest rates on mortgages refinanced in 2015 and during the first half of 2016, contributing to a 5.2% reduction in same property interest expense in the quarter. During Q2-2016, Killam successfully refinanced \$42.9 million of maturing apartment mortgages with \$58.4 million of new debt at a weighted average interest rate of 2.60%, 180 bps lower than the weighted average interest rate prior to refinancing. Killam's weighted average mortgage interest rate decreased to 3.15% as at June 30, 2016, from 3.27% as 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 June 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.

Consolidated Financial Highlights (unaudited)	For the three months ended		For the six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Property revenue	\$43,847	\$41,452	\$86,054	\$80,988
Net operating income	\$27,270	\$25,196	\$50,700	\$45,851
Income before fair value adjustments, loss on disposition, and income taxes	\$14,323	\$12,953	\$24,292	\$22,075
Fair value adjustments	(\$8,740)	(\$613)	(\$13,212)	\$180
Net income	\$3,666	\$8,942	\$48,833	\$16,110
Net income attributable to unitholders/shareholders	\$458	\$8,753	\$45,371	\$15,675

Reconciliation of Net Income to FFO	For the three months ended		For the six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Net Income	\$3,666	\$8,942	\$48,833	\$16,110
Fair value adjustments	8,740	613	13,212	(180)
Non-controlling interest	(271)	(264)	(525)	(509)
Deferred tax expense (recovery)	1,626	3,215	(38,018)	5,962
Interest expense related to exchangeable units	705	—	1,416	—
Depreciation of owner-occupied building	45	46	78	92
Unrealized loss on derivative liability	131	—	131	—
Loss on disposition	291	183	265	183
REIT conversion costs	200	177	1,250	177
FFO	\$15,133	\$12,912	\$26,642	\$21,835
FFO per unit/share (diluted)	\$0.23	\$0.21	\$0.41	\$0.35

Financial Statements

Killam's Condensed Consolidated Interim Financial Statements and Management's Discussion and Analysis for the quarter ended June 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 Thursday, August 4, 2016, at 11:00 AM Eastern. The dial-in numbers for the conference call are 416-340-2217 (in Toronto) or 866-696-5910 (toll free, within North America). The passcode is 7178655.

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 \$1.9 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 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 (97% of the portfolio based on the June 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 Q2-2016 Management's Discussion and Analysis 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.