



August 9, 2017  
Halifax, Nova Scotia

## KILLAM APARTMENT REIT ANNOUNCES SOLID Q2-2017 RESULTS AND \$100 MILLION OF ACQUISITIONS

Killam Apartment REIT (TSX: KMP.UN) ("Killam") today announced its results for the three and six months ended June 30, 2017.

### Q2-2017 Financial Highlights

- Net income of \$34.6 million in Q2-2017 compared to \$3.7 million in the prior year period, a \$30.9 million increase, due primarily to fair value gains, including \$22.2 million of investment property fair value gains in the current period versus an unrealized fair value loss on investment properties of \$2.0 million in Q2-2016.
- Funds from Operations ("FFO") of \$18.2 million in Q2-2017, a 20.1% increase compared to Q2-2016, due to lower interest expense, contributions from developments, acquisitions and a 3.0% increase in same property net operating income ("NOI").
- FFO per unit of \$0.23 was consistent with the prior year quarter due to a 19% increase in the weighted average number of units outstanding. Killam issued equity in June 2016 and March 2017 to redeem \$103.5 million in convertible debentures, deleveraging its balance sheet, and to fund acquisitions and developments.
- Adjusted FFO ("AFFO") per unit of \$0.19 in Q2-2017, an increase of 5.6% from \$0.18 in Q2-2016.
- Total debt as a percentage of total assets of 50.4% as at June 30, 2017, versus 53.5% as at December 31, 2016, and interest coverage of 2.97 times as at June 30, 2017, compared to 2.74 times as at December 31, 2016, and 2.48 times as at June 30, 2016, as a result of lower debt levels and NOI growth.

	<i>Three months ended June 30,</i>			<i>Six months ended June 30,</i>		
	<b>2017</b>	2016	Change	<b>2017</b>	2016	Change
Property revenue	<b>\$45,898</b>	\$43,847	4.7%	<b>\$90,203</b>	\$86,054	4.8%
Net Income	<b>\$34,611</b>	\$3,666	844.1%	<b>\$52,260</b>	\$48,833	7.0%
FFO per unit (diluted) <sup>(1)</sup>	<b>\$0.23</b>	\$0.23	—%	<b>\$0.42</b>	\$0.41	2.4%
AFFO per unit (diluted)	<b>\$0.19</b>	\$0.18	5.6%	<b>\$0.32</b>	\$0.30	6.7%
AFFO payout ratio - rolling 12 months <sup>(2)</sup>	<b>89%</b>	99%	(1,000) bps			
Same property apartment occupancy <sup>(3)</sup>	<b>96.1%</b>	95.7%	40 bps			
Same property revenue growth	<b>2.0%</b>			<b>1.7%</b>		
Same property net operating income growth	<b>3.0%</b>			<b>2.4%</b>		

*(1) FFO and AFFO are defined in non-IFRS measures below.*

*(2) AFFO calculation is based on the rolling 12-month period.*

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

<i>As at</i>	<b>June 30, 2017</b>	December 31, 2016	Change
Total debt as a percentage of total assets	<b>50.4%</b>	53.5%	(310) bps
Weighted average mortgage interest rate	<b>2.94%</b>	3.01%	(7) bps
Weighted average term to debt maturity (years)	<b>4.2</b>	4.3	(0.1) years
Interest coverage ratio	<b>2.97x</b>	2.74x	23 bps

## **Operational Highlights**

### **Higher Rents and Improved Occupancy Drive Same Property Revenue Growth**

Same property revenue increased 2.0% compared to the prior year quarter as a result of a 40 bps increase in average occupancy and a 1.6% increase in the average rental rate for the apartment portfolio, as well as 3.5% top-line growth for the MHC portfolio. Revenue growth was strong in the Maritimes, particularly in Moncton, Fredericton, Charlottetown and Halifax. These gains offset modest reductions in net revenue in Alberta, St. John's and Ontario. The Ontario market remains strong; however, Killam's quarterly same property results were impacted by the expiry of a rental guarantee at its Kanata Lakes properties, following the acquisition of the last two buildings of the complex in March 2017.

### **Same Property NOI Growth of 3.0% Due to Rental Growth and Utility Savings**

Killam's same property expenses increased by only 0.3% for the three months ended June 30, 2017, compared to Q2-2016, contributing to a 3.0% increase in same property NOI for the period. Increased property taxes due to higher assessments and higher insurance premiums, were almost fully offset by reduced utility costs as a result of lower gas prices in Nova Scotia and lower water costs from reduced consumption following the installation of additional low-flow water fixtures over the past year.

### **Lower Interest Rates Contributed to Earnings Growth**

Killam benefited from lower interest rates on mortgages refinanced during 2016 and the first half of 2017, contributing to a 4.7% reduction in same property mortgage interest expense compared to Q2-2016. During Q2-2017, Killam refinanced \$37.0 million of maturing mortgages with \$50.2 million of new debt at a weighted average interest rate of 2.17%, 148 basis points lower than the weighted average rate on the maturing debt.

## **Acquisitions and Dispositions**

On April 5, 2017, Killam completed the sale of 1440 Mayview Avenue and 1425 Rosenthal Avenue in Ottawa, Ontario for \$17.1 million. Acquired in 2012 as part of a four-building portfolio, these properties did not meet Management's return expectations. Net proceeds were \$9.1 million, after the repayment of outstanding mortgages and transaction costs.

On April 13, 2017, Killam acquired a 3.26 acre parcel of land in the new subdivision of Cameron Heights, Edmonton and on June 23, purchased an adjacent 1.62 acre parcel of land for a total of \$4.1 million, or \$830,000/acre. Pre-development work is underway with a plan to build 190 units.

On April 19, 2017, Killam purchased the historic Benjamin Weir house located at 1459 Hollis Street in Halifax, Nova Scotia, for \$4.6 million. This was the last parcel not owned by Killam on The Alexander and Brewery Market block. The 6,000 square foot building is fully leased and the consolidation of ownership of this block provides significant synergies.

As previously announced, on April 21, 2017, Killam acquired a 50% interest in a 7.1 acre development site located adjacent to RioCan's Gloucester Silver City Shopping Centre in eastern Ottawa. The purchase price for Killam's 50% interest was \$8 million. The site has zoning approval for four residential towers containing up to an aggregate of 840 units. Site work has commenced on the first phase, a 222-unit, 23-story tower and occupancy is anticipated in mid-2019.

Following the end of the quarter, on July 4, 2017, Killam closed on two adjacent, newly-constructed concrete buildings totaling 134 units, located at 246 and 300 Innovation Drive in Halifax. Both buildings are comprised of large two and three-bedroom units, with underground parking and condo-quality common area amenities. These buildings align with Management's goals of targeting newer built properties and in maintaining its presence as a premiere multi-family property owner in the Halifax market. The average monthly rent in the buildings is \$1,521

(\$1.04 per square foot). The purchase price of \$31.6 million (\$236,000 per unit) was funded through the assumption of \$22.5 million in CMHC-insured mortgage debt, with the balance paid in cash.

Killam has also agreed to acquire 296 units in two newly-constructed, neighbouring properties in Sherwood Park, a suburb of Edmonton, Alberta. The total purchase price of \$67.5 million (\$228,040 per unit) represents a going-in, unlevered yield of 5.75%. These buildings will be Killam's first apartments in the Edmonton area. The purchase will close in two phases, with Phase I, Waybury Park, containing 124 units, scheduled to close August 18, 2017 and Phase II, Tisbury Crossing, containing 172 units, scheduled to close in Q4-2017. While still in lease-up, Waybury Park is currently 92% occupied and Tisbury Crossing is almost 60% leased. The average rent of \$1,495 per month equates to \$1.79 per square foot. The purchase price is expected to be funded with approximately \$50 million of CMHC-insured mortgages and the balance in cash.

Construction is progressing on schedule at The Alexander development in Halifax (240 units), the Saginaw Park project in Cambridge (93 units) and the first phase of the Gloucester City project in Ottawa (222 units). The Alexander is currently 40% pre-leased, with the first residents slated to move into the 55-unit podium level during October 2017. Construction of the project's high-rise tower will be complete in Q1-2018. At Saginaw Park, the eight-storey structure is largely complete and weather tight, and construction is expected to be completed in Q2-2018.

## **Management's Comments**

"We had another solid quarter in Q2-2017, executing on each of our three strategic priorities," stated Philip Fraser, President and CEO. "We grew same property NOI by 3.0% and advanced our development projects in Cambridge, Halifax and Ottawa. In addition, year-to-date, we have added approximately \$111 million of assets to our portfolio, including newly constructed buildings in Halifax and Edmonton that will further modernize and diversify our portfolio."

"In total, we will acquire approximately \$180 million of assets in 2017, more than twice our target of \$75 million. Following the integration of these properties into our operations, over 24% of Killam's NOI will be generated outside Atlantic Canada, as we move toward our goal of generating 30% of NOI outside this region by 2020," stated Mr. Fraser.

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

The following chart provides Killam's consolidated financial highlights for the three and six month periods ending June 30, 2017, and 2016, per International Financial Reporting Standards (IFRS). A reconciliation of net income to FFO is also provided. FFO are an industry-standard measure of real estate entities' operating performance, and REALpac, Canada's national industry association for owners and managers of investment real estate, has recommended guidelines for the calculation of FFO based on IFRS. Killam calculates FFO in accordance with the REALpac definition, with the exception of the add-back of REIT conversion costs, as REALpac does not address this adjustment. Notwithstanding the foregoing, FFO does not have a standardized meaning under IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies.

<b>Consolidated Financial Highlights</b> (unaudited)	<i>Three months ended June 30,</i>		<i>Six months ended June 30,</i>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Property revenue	<b>\$45,898</b>	\$43,847	<b>\$90,203</b>	\$86,054
Net operating income	<b>28,785</b>	27,270	<b>53,727</b>	50,700
Income before fair value adjustments, loss on disposition, and income taxes	<b>17,594</b>	14,323	<b>30,464</b>	24,292
Fair value adjustments	<b>22,127</b>	(8,740)	<b>29,993</b>	(13,212)
Net income	<b>34,611</b>	3,666	<b>52,260</b>	48,833
Net income attributable to unitholders	<b>34,609</b>	458	<b>52,254</b>	45,371

  

<b>Reconciliation of Net Income to FFO</b>	<i>Three months ended June 30,</i>		<i>Six months ended June 30,</i>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Net Income	<b>\$34,611</b>	\$3,666	<b>\$52,260</b>	\$48,833
Fair value adjustments	<b>(22,127)</b>	8,740	<b>(29,993)</b>	13,212
Non-controlling interest	<b>(4)</b>	(271)	<b>(6)</b>	(525)
Deferred tax expense (recovery)	<b>4,872</b>	1,626	<b>7,959</b>	(38,018)
Interest expense related to exchangeable units	<b>599</b>	705	<b>1,185</b>	1,416
Depreciation of owner-occupied building	<b>49</b>	45	<b>83</b>	78
Unrealized (gain) loss on derivative liability	<b>(147)</b>	131	<b>(121)</b>	131
Loss on disposition	<b>238</b>	291	<b>238</b>	265
REIT conversion costs	<b>82</b>	200	<b>236</b>	1,250
FFO	<b>\$18,173</b>	\$15,133	<b>\$31,841</b>	\$26,642
FFO per unit (diluted)	<b>\$0.23</b>	\$0.23	<b>\$0.42</b>	\$0.41

## Financial Statements

Killam's Condensed Consolidated Interim Financial Statements and Management's Discussion and Analysis for the three and six months ended June 30, 2017, are posted under Financial Reports in the Investor Relations section of Killam's website at [www.killamreit.com](http://www.killamreit.com). Readers are directed to these documents for financial details and a discussion of Killam's results.

## Results Conference Call

Management will host a webcast and conference call to discuss these results and current business initiatives on Thursday, August 10, 2017, at 11:00 AM ET. The webcast will be accessible on Killam's website at the following link <http://www.killamreit.com/investor-relations/events-and-presentations>. A replay will be available for 90 days after the webcast at the same link.

The dial-in numbers for the conference call are as follows:

North America (toll free): 1-866-521-4909, passcode 50694983

Overseas or local (Toronto): 1-647-427-2311, passcode 50694983

## Profile

Killam Apartment REIT, based in Halifax, NS, is one of Canada's largest residential landlords, owning, operating, managing and developing a \$2.1 billion portfolio of apartments and manufactured home community ("MHC") properties. Killam's strategy to enhance value and profitability focuses on three priorities: 1) increase earnings from the existing portfolio, 2) expand the portfolio and diversify geographically through accretive acquisitions, targeting newer properties, and 3) develop high-quality properties in its core markets.

## Non-IFRS Measures

Management believes these non-IFRS financial measures are relevant measures of the ability of the REIT to earn revenue and to evaluate Killam's financial performance. The non-IFRS measures should not be construed as alternatives to net income (loss) or cash flow from operating activities determined in accordance with IFRS as indicators of Killam's performance or sustainability of its distributions. These measures do not have a standardized meaning under IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies.

- FFO, and applicable per unit amounts, are calculated by Killam as net income plus depreciation on owner-occupied building, fair value losses, interest expense related to exchangeable units, loss on disposition, deferred tax expense, unrealized loss on derivative liability and REIT conversion costs, less fair value gains, deferred tax recovery, unrealized gain on derivative liability and non-controlling interest. FFO are calculated in accordance with the REALpac definition, except for the add-back of REIT conversion costs as noted above; REALpac does not address this specific type of adjustment.
- AFFO, and applicable per unit amounts and payout ratios, are calculated by Killam as FFO less \$970 per apartment unit for maintenance capital costs and \$225 per MHC site, which represent reserves based on the three-year historical average of capital spent to maintain and sustain Killam's properties and MHC sites. AFFO are calculated in accordance with the REALpac definition, most recently updated in February 2017.
- Same property results in relation to Killam are revenues and property operating expenses for stabilized properties Killam has owned for equivalent periods in 2017 and 2016 (97% of the portfolio based on the June 30, 2017 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 adjusted for interest expense related to exchangeable units.
- Debt service coverage is calculated by dividing the earnings before interest, tax, depreciation, gain or loss on disposition and fair value adjustments by interest expense adjusted for interest expense related to exchangeable units and principal mortgage repayments.

See the Q2-2017 Management's Discussion and Analysis for further details on these non-IFRS measures.

For information, please contact:

Robert Jenkins, CPA, CA  
Director, Investor Relations  
rjenkins@killamREIT.com  
(902) 453-7668

*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](http://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.*