



November 7, 2017
Halifax, Nova Scotia

KILLAM APARTMENT REIT ANNOUNCES STRONG Q3-2017 RESULTS

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

Q3-2017 Financial Highlights

- Generated net operating income ("NOI") of \$31.7 million, a 12.0% increase from \$28.4 million in Q3-2016.
- Reported net income of \$14.6 million compared to \$18.0 million in the prior year period, as strong operating performance and contributions from acquisitions were offset by fair value adjustments associated with appreciation of Killam's exchangeable units.
- Earned funds from operations ("FFO") per unit of \$0.25, a 4.2% increase from the prior year quarter.
- Increased adjusted funds from operations ("AFFO") per unit 10.5% to \$0.21, compared to \$0.19 in Q3-2016.
- Achieved same property NOI growth of 4.9% over the same period in 2016.
- Improved interest coverage to 3.12x from 2.97x at June 30, 2016 and 2.74x at December 31, 2016.

| | <i>Three months ended September 30,</i> | | | <i>Nine months ended September 30,</i> | | |
|--|---|----------|-----------|--|-----------|--------|
| | 2017 | 2016 | Change | 2017 | 2016 | Change |
| Property revenue | \$48,595 | \$45,078 | 7.8% | \$138,798 | \$131,133 | 5.8% |
| Net operating income | \$31,746 | \$28,350 | 12.0% | \$85,473 | \$79,052 | 8.1% |
| Net income | \$14,649 | \$17,966 | (18.5%) | \$66,910 | \$66,801 | 0.2% |
| FFO ⁽¹⁾ | \$19,963 | \$17,021 | 17.3% | \$51,805 | \$43,662 | 18.7% |
| FFO per unit (diluted) ⁽¹⁾ | \$0.25 | \$0.24 | 4.2 % | \$0.67 | \$0.65 | 3.1% |
| AFFO per unit (diluted) ⁽¹⁾ | \$0.21 | \$0.19 | 10.5% | \$0.53 | \$0.50 | 6.0% |
| AFFO payout ratio - rolling 12 months ⁽²⁾ | 87% | 94% | (700) bps | | | |
| Same property apartment occupancy ⁽³⁾ | 97.0% | 95.9% | 110 bps | | | |
| Same property revenue growth | 2.9% | | | 2.1% | | |
| Same property net operating income growth | 4.9% | | | 3.2% | | |

(1) Funds from operations ("FFO") and adjusted funds from operations ("AFFO") are defined in non-IFRS measures below. A reconciliation between net income and FFO is included on page 23 of Q3-2017 Management Discussion and Analysis. A reconciliation from FFO to AFFO is included on page 25.

(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> | September 30, 2017 | December 31, 2016 | Change |
|--|---------------------------|-------------------|-------------|
| Total debt as a percentage of total assets | 51.4% | 53.5% | (210) bps |
| Weighted average mortgage interest rate | 2.91% | 3.01% | (10) bps |
| Weighted average term to debt maturity (years) | 4.2 | 4.3 | (0.1) years |
| Interest coverage ratio | 3.12x | 2.74x | 13.9% |

Operational Highlights

Higher Rents and Improved Occupancy Drive Same Property Revenue Growth

Same property revenue increased 2.9% compared to Q3-2016 as a result of a 110 basis points ("bps") increase in average apartment occupancy and a 1.8% increase in the average apartment rental rate, as well as 2.5% top-line growth within the MHC portfolio. With a strong leasing team, Killam's same property apartment portfolio achieved 97.0% occupancy for Q3-2017. As at September 30, 2017, occupancy based on unit count was 98.5%, compared to 97.1% as at September 30, 2016. Growth was particularly strong in New Brunswick and Halifax, where same property apartment revenues increased by 5.2% and 3.0% compared to the same period in 2016. Apartment revenues increased by 1.9% in Ontario, above the rent control guidelines of 1.5% for renewals, due to strong demand on new leasing.

Same Property NOI Growth of 4.9% Due to Rental Growth and Expense Savings

Killam's same property total operating expenses were 60 bps lower for the three months ended September 30, 2017, as compared to Q3-2016, contributing to the 4.9% increase in same property NOI. Utility expenses for Q3-2017 were 6.0% lower than the same period in 2016 due primarily to electricity savings in Ontario from rate reductions and reduced consumption due to energy initiatives and cooler weather, as well as lower water consumption across the portfolio due to recent efficiency investments. A 1.9% reduction in general operating expenses compared to Q3-2016 was due to lower insurance and advertising costs, and the net impact of internalizing property management at Killam's Newfoundland properties in Q2-2017. These savings more than offset a 5.4% increase in property taxes.

Lower Interest Rates Contributed to Earnings Growth

Killam benefited from lower interest rates on mortgages refinanced during Q4-2016 and the first three quarters of 2017, contributing to a 3.5% reduction in same property mortgage interest expense compared to Q3-2016. During Q3-2017, 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 of the maturing debt.

Acquisitions and Developments

On July 4, 2017, Killam invested \$31.6 million in a two-building, 134-unit apartment complex in Halifax. In early August 2017, Killam took possession of the first of two properties totaling 296 units in the Sherwood Park suburb of Edmonton, for \$28.3 million. The second phase of this transaction (\$39.2 million) is scheduled to close on December 1, 2017. These newly constructed properties contributed positively to FFO in the third quarter and support Killam's strategy to expand the portfolio with an emphasis on newer properties.

Killam invested \$15.7 million, which includes \$7.8 million of equity, during the quarter in its three developments, The Alexander in Halifax, Saginaw Park in Cambridge and Gloucester City Centre in Ottawa. On October 1st, the first residents moved into The Alexander's four-level podium. All of the available suites in the podium are now leased and 57 of the units in the tower are pre-leased with occupancy slated for late Q2-2018. In total, 46% of the project's units are under contract. Active pre-leasing of Saginaw Park began in late July 2017 as the development is expected to be completed in Q2-2018, and Killam has secured tenants for 30% of the property's 93 units. Construction at Gloucester is progressing on schedule and on budget, with construction now on the building's 10th floor.

Management's Comments

"We are pleased to report strong third quarter results," stated Philip Fraser, President and CEO. "We grew same property NOI by 4.9% through strong leasing and expense management. We integrated two new properties into our portfolio, including our first operations in Edmonton. We continue to advance our development projects and welcomed our first tenants into the podium level of The Alexander on October 1, 2017."

"We are executing on all three of our strategic priorities. We are pleased with our leasing success in the quarter and we are realizing the benefits of our energy efficiency investments. Recent acquisitions contributed to results in the period, and are increasing the percentage of Killam's NOI generated outside Atlantic Canada. Our three active developments will add \$135 million to our apartment portfolio once complete, and are expected to be accretive to Killam's net asset value," stated Mr. Fraser.

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

The following chart provides Killam's consolidated financial highlights for the three and nine month periods ending September 30, 2017, and 2016, per International Financial Reporting Standards (IFRS). A reconciliation of net income to FFO is also provided. FFO is 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. 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.

| Consolidated Financial Highlights (unaudited) | Three months ended September 30, | | Nine months ended September 30, | |
|---|----------------------------------|----------|---------------------------------|-----------|
| | 2017 | 2016 | 2017 | 2016 |
| Property revenue | \$48,595 | \$45,078 | \$138,798 | \$131,133 |
| Net operating income | 31,746 | 28,350 | 85,473 | 79,052 |
| Income before fair value adjustments, loss on disposition, and income taxes | 19,532 | 16,270 | 49,997 | 40,563 |
| Fair value adjustments | (1,820) | 3,649 | 28,173 | (9,563) |
| Net income | 14,649 | 17,966 | 66,910 | 66,801 |
| Net income attributable to unitholders | 14,645 | 17,964 | 66,900 | 63,336 |

| Reconciliation of Net Income to FFO | Three months ended September 30, | | Nine months ended September 30, | |
|--|----------------------------------|----------|---------------------------------|----------|
| | 2017 | 2016 | 2017 | 2016 |
| Net Income | \$14,649 | \$17,966 | \$66,910 | \$66,801 |
| Fair value adjustments | 1,820 | (3,649) | (28,173) | 9,563 |
| Non-controlling interest | (4) | (2) | (10) | (528) |
| Deferred tax expense (recovery) | 3,063 | 1,953 | 11,022 | (36,065) |
| Interest expense related to exchangeable units | 599 | 663 | 1,784 | 2,079 |
| Depreciation of owner-occupied building | 42 | 47 | 125 | 124 |
| Unrealized (gain) loss on derivative liability | (206) | (15) | (327) | 131 |
| Loss on disposition | — | — | 238 | 264 |
| REIT conversion costs | — | 58 | 236 | 1,308 |
| FFO | \$19,963 | \$17,021 | \$51,805 | \$43,662 |
| FFO per unit (diluted) | \$0.25 | \$0.24 | \$0.67 | \$0.65 |

Financial Statements

Killam's Condensed Consolidated Interim Financial Statements and Management's Discussion and Analysis for the three and nine months ended September 30, 2017, 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 of Killam's results.

Results Conference Call

Management will host a webcast and conference call to discuss these results and current business initiatives on Wednesday, November 8, 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 95978088

Overseas or local (Toronto): 1-647-427-2311, passcode 95978088

Profile

Killam Apartment REIT, based in Halifax, NS, is one of Canada's largest residential landlords, owning, operating, managing and developing a \$2.2 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 the below 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 adjusted for depreciation on an owner-occupied building, fair value gains (losses), interest expense related to exchangeable units, gains (losses) on disposition, deferred tax expense (recovery), unrealized gains (losses) on derivative liability, REIT conversion costs and non-controlling interest. FFO are calculated in accordance with the REALpac definition, except for the adjustment of REIT conversion costs as noted above.
- 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.
- 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 (96% of the portfolio based on the September 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.

See the Q3-2017 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. 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.