Condensed Consolidated Interim Financial Statements [unaudited]
For the three months ended March 31, 2020 and 2019

Condensed Consolidated Interim Statements of Financial Position

In thousands of Canadian dollars,
[unaudited]

	Note	March 31, 2020	December 31, 2019
ASSETS			
Non-current assets			
Investment properties	[3]	**$3,426,770**	$3,320,604
Property and equipment		**7,314**	7,113
Other non-current assets		**—**	295
		$3,434,084	$3,328,012
Current assets			
Cash		**$7,355**	$12,801
Rent and other receivables		**4,092**	9,025
Other current assets	[6]	**23,282**	16,099
		34,729	37,925
Assets held for sale	[4]	**—**	14,163
TOTAL ASSETS		**$3,468,813**	$3,380,100
EQUITY AND LIABILITIES			
Unitholders' equity	[13]	**$1,630,581**	$1,602,254
Non-controlling interest		**116**	113
Total Equity		**$1,630,697**	$1,602,367
Non-current liabilities			
Mortgages and loans payable	[7]	**$1,290,002**	$1,161,702
Lease liabilities	[8]	**9,550**	8,919
Exchangeable Units	[12]	**65,543**	78,668
Deferred income tax	[18]	**171,928**	175,048
Deferred unit-based compensation	[15]	**3,231**	5,363
Other non-current liabilities		**148**	—
		$1,540,402	$1,429,700
Current liabilities			
Mortgages and loans payable	[7]	**$222,169**	$276,568
Credit facilities	[9]	**20,000**	—
Construction loans	[10]	**5,461**	24,851
Accounts payable and accrued liabilities	[11]	**50,084**	46,614
		297,714	348,033
Total Liabilities		**$1,838,116**	$1,777,733
TOTAL EQUITY AND LIABILITIES		**$3,468,813**	$3,380,100
Commitments and contingencies	[23]		
Financial guarantees	[24]		

See accompanying notes to the unaudited condensed consolidated interim financial statements.

Approved on behalf of the Board of Trustees

(signed) "Karine L. MacIndoe " (signed) "Philip D. Fraser "
Trustee Trustee

Condensed Consolidated Interim Statements of Income and Comprehensive Income

In thousands of Canadian dollars, [unaudited]

		Three months ended March 31,	
	Note	**2020**	2019
Property revenue	[16]	**$63,294**	$57,186
Property operating expenses			
Operating expenses		**(9,941)**	(9,024)
Utility and fuel expenses		**(7,477)**	(7,754)
Property taxes		**(7,828)**	(6,863)
		(25,246)	(23,641)
Net operating income		**$38,048**	$33,545
Other income		**184**	197
Financing costs	[17]	**(12,584)**	(11,841)
Depreciation		**(147)**	(157)
Administration		**(3,751)**	(3,864)
Fair value adjustment on unit-based compensation		**500**	(1,240)
Fair value adjustment on Exchangeable Units	[12]	**13,125**	(14,371)
Fair value adjustment on investment properties	[3]	**8**	27,395
Income before income taxes		**35,383**	29,664
Deferred tax recovery (expense)	[18]	**3,119**	(2,572)
Net income		**$38,502**	$27,092
Comprehensive income		**$38,502**	$27,092
Net income attributable to:			
Unitholders		**38,499**	27,089
Non-controlling interest		**3**	3
		$38,502	$27,092
Comprehensive income attributable to:			
Unitholders		**38,499**	27,089
Non-controlling interest		**3**	3
		$38,502	$27,092

See accompanying notes to the unaudited condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Changes in Equity

In thousands of Canadian dollars, [unaudited]

Three months ended March 31, 2020	**Trust Units**	**Contributed Surplus**	**Retained Earnings**	**Non- controlling Interest**	**Total Equity**
As at January 1, 2020	**$1,009,166**	**$795**	**$592,293**	**$113**	**$1,602,367**
Distribution reinvestment plan	**5,789**	**—**	**—**	**—**	**5,789**
Deferred unit-based compensation	**510**	**—**	**—**	**—**	**510**
Net income	**—**	**—**	**38,499**	**3**	**38,502**
Distributions declared and paid	**—**	**—**	**(10,895)**	**—**	**(10,895)**
Distributions payable	**—**	**—**	**(5,576)**	**—**	**(5,576)**
As at March 31, 2020	**$1,015,465**	**$795**	**$614,321**	**$116**	**$1,630,697**

Three months ended March 31, 2019	Trust Units	Contributed Surplus	Retained Earnings	Non- controlling Interest	Total Equity
As at January 1, 2019	$798,473	$795	$369,546	$136	$1,168,950
Distribution reinvestment plan	3,800	—	—	—	3,800
Deferred unit-based compensation	662	—	—	—	662
Issued for cash	82,516	—	—	—	82,516
Net income	—	—	27,089	3	27,092
Distributions on non-controlling interest	—	—	—	(15)	(15)
Distributions declared and paid	—	—	(9,265)	—	(9,265)
Distributions payable	—	—	(5,054)	—	(5,054)
As at March 31, 2019	$885,451	$795	$382,316	$124	$1,268,686

See accompanying notes to the unaudited condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Cash Flows

In thousands of Canadian dollars, [unaudited]

	Note	Three months ended March 31, 2020	2019
OPERATING ACTIVITIES			
Net income		**$38,502**	$27,092
Add (deduct) items not affecting cash			
Fair value adjustments		**(13,633)**	(11,784)
Depreciation		**147**	197
Amortization of deferred financing		**744**	895
Non-cash compensation expense		**468**	555
Deferred income taxes		**(3,119)**	2,572
Loss on derivative liability		**443**	195
Interest expense on Exchangeable Units		**692**	671
Straight-line rent		**(154)**	(106)
Interest expense on lease liability		**96**	73
Net change in non-cash operating activities	[20]	**2,222**	(786)
Cash provided by operating activities		**$26,408**	$19,574
FINANCING ACTIVITIES			
Deferred financing costs paid		**(3,239)**	(846)
Net proceeds on issuance of Units		**—**	82,516
Cash paid on redemption of restricted Units		**(1,601)**	(664)
Cash paid on lease liabilities		**(79)**	—
Mortgage financing		**151,590**	67,070
Mortgages repaid		**(66,500)**	(42,702)
Mortgage principal repayments		**(12,232)**	(10,703)
Credit facility proceeds/ (repayments)		**20,000**	(53,350)
Proceeds from construction loans		**3,730**	—
Construction loan repayments		**(23,120)**	(31,635)
Distributions paid to non-controlling interest		**—**	(15)
Distributions to Unitholders		**(11,231)**	(10,757)
Cash provided by (used in) financing activities		**$57,318**	($1,086)
INVESTING ACTIVITIES			
Decrease/ (increase) in restricted cash		**(1,152)**	(2,003)
Acquisition of investment properties, net of debt assumed		**(66,761)**	(1,574)
Development of investment properties		**(9,334)**	(5,098)
Capital expenditures		**(11,925)**	(11,304)
Cash used in investing activities		**($89,172)**	($19,979)
Net decrease in cash		**(5,446)**	(1,491)
Cash, beginning of period		**12,801**	3,789
Cash, end of period		**$7,355**	$2,298

See accompanying notes to the unaudited condensed consolidated interim financial statements.

1. Organization of the Trust

Killam Apartment Real Estate Investment Trust ("Killam" or the "Trust") is an unincorporated open-ended mutual fund trust created pursuant to the amended and restated Declaration of Trust ("DOT"), dated November 27, 2015, under the laws of the Province of Ontario. Killam specializes in the acquisition, management and development of multi-residential apartment buildings, manufactured home communities ("MHCs") and commercial properties in Canada.

The condensed consolidated interim financial statements comprise the financial statements of Killam and its subsidiaries as at and for the three months ended March 31, 2020. Killam's head office operations are located at 3700 Kempt Road, Halifax, Nova Scotia, B3K 4X8.

2. Significant Accounting Policies

(A) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB have been omitted or condensed.

The condensed consolidated interim financial statements of the Trust for the period ended March 31, 2020 were authorized for issue in accordance with a resolution of the Board of Trustees of Killam on May 6, 2020.

(B) Basis of Presentation

The condensed consolidated interim financial statements of Killam have been prepared on a historical cost basis, except for investment properties, deferred unit-based compensation, a derivative liability and Exchangeable Units, which have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The condensed consolidated interim financial statements have been prepared on a going concern basis and are presented in Canadian dollars, which is Killam's functional currency, and all values are rounded to the nearest thousand ($000), except per unit amounts or as noted.

The condensed consolidated interim financial statements should be read in conjunction with the most recently issued Annual Report of Killam, which includes information necessary or useful to understanding the Trust's business and financial statement presentation. In particular, Killam's significant accounting policies were presented in note 2 to the consolidated financial statements for the year ended December 31, 2019, and have been consistently applied in the preparation of these condensed consolidated interim financial statements, with the exception of the accounting changes noted in (C) below.

The operating results for the three months ended March 31, 2020, are not necessarily indicative of results that may be expected for the full year ending December 31, 2020, due to seasonal variations in property expenses and other factors.

The condensed consolidated interim financial statements have been prepared considering the impact that the spread of COVID-19 has and continues to have on local, national and worldwide economies. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Canadian and global stock markets have also experienced great volatility and significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. Killam has considered the negative economic outlook and cash flow difficulties that may be experienced as a result of this virus on its tenants, suppliers and lenders.The ultimate duration and impacts of the COVID-19 pandemic are not currently known, Killam has used the best information available as at March 31, 2020, in determining its estimates and the assumptions that affect the carrying amounts of assets and liabilities, and earnings for the period. Actual results could differ from those estimates. Killam considers the estimates that could be most significantly impacted by COVID-19 to include those underlying the valuation of investment properties and the estimated credit losses on accounts receivable.

2. Significant Accounting Policies (continued)

(C) Adoption of Accounting Standards

Amendments to IFRS 3, Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. The amendments clarified the minimum requirements for a business, removed the assessment of whether market participants are capable of replacing any missing elements, added guidance to help entities assess whether an acquired process is substantive, narrowed the definition of a business and of outputs, and introduced an optional fair value concentration test.

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. They also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.

Prior to the amendments, IFRS 3 stated that a business need not include all of the inputs or processes that the seller used in operating that business, 'if market participants are capable of acquiring the business and continuing to produce outputs, for example, by integrating the business with their own inputs and processes'. The reference to such integration is now deleted from IFRS 3 and the assessment must be based on what has been acquired in its current state and condition.

The amendments specify that if a set of activities and assets does not have outputs at the acquisition date, an acquired process must be considered substantive only if: (a) it is critical to the ability to develop or convert acquired inputs into outputs; and (b) the inputs acquired include both an organized workforce with the necessary skills, knowledge, or experience to perform that process, and other inputs that the organized workforce could develop or convert into outputs. In contrast, if a set of activities and assets has outputs at that date, an acquired process must be considered substantive if: (a) it is critical to the ability to continue producing outputs and the acquired inputs include an organized workforce with the necessary skills, knowledge, or experience to perform that process; or (b) it significantly contributes to the ability to continue producing outputs and either is considered unique or scarce, or cannot be replaced without significant cost,effort or delay in the ability to continue producing outputs.

The amendments narrowed the definition of outputs to focus on goods or services provided to customers, investment income (such as dividends or interest) or other income from ordinary activities. The definition of a business in Appendix A of IFRS 3 was amended accordingly.

The amendments introduced an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. Entities may elect to apply the concentration test on a transaction-by-transaction basis. The test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. If the test is not met, or if an entity elects not to apply the test, a detailed assessment must be performed applying the normal requirements in IFRS 3.

Killam applied these amendments prospectively beginning on January 1, 2020, to transactions or other events that occur on or after the date of application. The application of these amendments did not have a significant impact on Killam's condensed consolidated interim financial statements.

Dollar amounts in thousands of Canadian dollars (except as noted)

3. Investment Properties

As at March 31, 2020

Segment	**Apartments**	**MHCs**	**Commercial**	**IPUC**	**Land for Development**	**Total**
Balance, beginning of period	**$2,874,407**	**$202,431**	**$157,572**	**$46,867**	**$39,327**	**$3,320,604**
Fair value adjustment on investment properties	**(19)**	**—**	**—**	**—**	**—**	**(19)**
Acquisitions	**66,855**	**3,990**	**—**	**—**	**—**	**70,845**
Capital expenditures	**10,214**	**308**	**639**	**7,598**	**1,161**	**19,920**
Transfer between apartment and commercial segment	**9,475**	**—**	**(9,475)**	**—**	**—**	**—**
Transfer from land for development	**—**	**—**	**—**	**3,649**	**(3,649)**	**—**
Transfer from held for sale	**—**	**—**	**—**	**—**	**14,214**	**14,214**
Impact of change in right-of-use asset	**625**	**6**	**—**	**—**	**—**	**631**
Interest capitalized on IPUC and land for development	**—**	**—**	**—**	**342**	**233**	**575**
Balance, end of period	**$2,961,557**	**$206,735**	**$148,736**	**$58,456**	**$51,286**	**$3,426,770**

As at December 31, 2019

Segment	Apartments	MHCs	Commercial	IPUC	Land for Development	Total
Balance, beginning of year	$2,432,273	$153,509	$122,835	$37,163	$61,028	$2,806,808
Fair value adjustment on investment properties	208,624	38,540	(1,549)	774	(1,663)	244,726
Acquisitions	149,654	3,985	32,124	—	6,200	191,963
Transfer from IPUC	36,215	—	—	(36,215)	—	—
Capital expenditures	62,317	5,016	4,162	29,341	5,700	106,536
Transfer from land for development	—	—	—	15,050	(15,050)	—
Transfer to held for sale	(15,099)	—	—	—	(18,401)	(33,500)
Impact of change in right-of-use asset	423	1,381	—	—	—	1,804
Interest capitalized on IPUC and land for development	—	—	—	754	1,513	2,267
Balance, end of year	$2,874,407	$202,431	$157,572	$46,867	$39,327	$3,320,604

During the three months ended March 31, 2020, Killam acquired the following properties:

Property	**Location**	**Acquisition Date**	**Ownership Interest**	**Property Type**	**Purchase Price** [(1)]
Christie Point	Victoria, BC	15-Jan-20	100%	Apartment	**$54,000**
9 Carrington	Halifax, NS	31-Jan-20	100%	Apartment	**8,800**
Domaine Parlee	Shediac, NB	23-Mar-20	100%	MHC	**3,950**
1325 Hollis	Halifax, NS	31-Mar-20	100%	Apartment	**3,700**
Total Acquisitions					**$70,450**

(1) Purchase price does not include transaction costs.

During the three months ended months ended March 31, 2020, Killam capitalized salaries of $0.9 million (three months ended March 31, 2019 - $0.8 million), as part of its project improvement, suite renovation and development programs. For the three months ended March 31, 2020, interest costs associated with the general corporate borrowings used to fund development were capitalized to the respective development projects using Killam's weighted average borrowing rate of 2.86% (March 31, 2019 - 3.09%). Interest costs associated with development specific loans were capitalized to the respective developments using the actual borrowing rate associated with the loan.

Investment properties with a fair value of $3.2 billion as at March 31, 2020 (December 31, 2019 - $3.1 billion), have been pledged as collateral against Killam's mortgages, construction loan and credit facilities.

Dollar amounts in thousands of Canadian dollars (except as noted)

3. Investment Properties (continued)

Valuation Basis

Using the direct income capitalization method, the apartment properties were valued using cap-rates in the range of 3.5% to 8.00%, applied to a stabilized net operating income ("SNOI") of $139.1 million (December 31, 2019 - 3.5% to 8.00% and $137.0 million), resulting in an overall weighted average cap-rate of 4.75% (December 31, 2019 - 4.76%). The stabilized occupancy rates used in the calculation of SNOI were in the range of 93.5% to 99.0% (December 31, 2019 - 93.5% to 99.0%).

Using the direct income capitalization method, the MHC properties were valued using cap-rates in the range of 5.00% to 6.5%, applied to a SNOI of $11.3 million (December 31, 2019 - 5.0% to 6.5% and $10.0 million), resulting in an overall weighted average cap-rate of 5.64% (December 31, 2019 - 5.65%). The stabilized occupancy rate used in the calculation of SNOI was 97.8% (December 31, 2019 - 97.8%).

Using a discounted cash flow model, the stabilized commercial properties were valued using key inputs determined by management based on review of asset performance and comparable assets in relevant markets. Commercial properties that have yet to stabilize are held at cost.

Investment property valuations are most sensitive to changes in the cap-rate. The cap-rate assumptions for the investment properties are included in the following table by region:

	March 31, 2020			December 31, 2019		
	Low	**High**	**Effective Weighted Average**	Low	High	Effective Weighted Average
Apartments	**3.50 %**	**8.00 %**	**4.75 %**	3.50 %	8.00 %	4.76 %
Halifax	**3.75 %**	**5.60 %**	**4.50 %**	3.75 %	5.60 %	4.49 %
Moncton	**4.99 %**	**7.00 %**	**5.53 %**	4.99 %	7.00 %	5.54 %
Fredericton	**5.00 %**	**6.00 %**	**5.72 %**	5.00 %	6.00 %	5.72 %
Saint John	**5.75 %**	**6.25 %**	**6.04 %**	5.75 %	6.25 %	6.04 %
St. John's	**5.00 %**	**6.00 %**	**5.62 %**	5.00 %	6.00 %	5.63 %
Charlottetown	**5.28 %**	**6.00 %**	**5.77 %**	5.28 %	6.00 %	5.77 %
Ontario	**3.50 %**	**5.08 %**	**4.06 %**	3.50 %	5.08 %	4.06 %
Alberta	**4.47 %**	**5.00 %**	**4.69 %**	4.47 %	5.00 %	4.69 %
Other Atlantic	**5.75 %**	**8.00 %**	**6.66 %**	5.75 %	8.00 %	6.65 %
MHCs	**5.00 %**	**6.50 %**	**5.64 %**	5.00 %	6.50 %	5.65 %
Ontario	**5.00 %**	**6.50 %**	**5.96 %**	5.00 %	6.50 %	5.96 %
Nova Scotia	**5.00 %**	**6.00 %**	**5.30 %**	5.00 %	6.00 %	5.30 %
New Brunswick	**5.19 %**	**6.50 %**	**5.72 %**	5.80 %	6.50 %	6.06 %
Newfoundland	**6.00 %**	**6.00 %**	**6.00 %**	6.00 %	6.00 %	6.00 %

Fair Value Sensitivity

The following table summarizes fair value sensitivity of Killam's income-producing investment properties:

Cap-rate Sensitivity Increase/ (Decrease)	**Fair Value of Investment Properties**	**Effective Weighted Average**	**Fair Value Variance**	**% Change**
(0.50%)	$3,652,612	4.40%	$335,584	10%
(0.25%)	3,454,418	4.65 %	137,390	4%
—%	3,317,028	4.90 %	—	—%
0.25%	3,116,511	5.15 %	(200,517)	(6%)
0.50%	2,971,297	5.40 %	(345,731)	(10%)

Dollar amounts in thousands of Canadian dollars (except as noted)

4. Assets Held for Sale

Killam determined that a parcel of land for development located in Calgary, AB, previously classified as held for sale no longer met the criteria for this classification. As at March 31, 2020, Killam has reclassified the land as investment properties. The property has a carrying value of $14.2 million (Killam's 40% interest).

5. Joint Operations and Investments in Joint Venture

Killam has interests in three properties (seven buildings), two development projects and land for future development that are subject to joint control and are joint operations. Accordingly, the condensed consolidated interim statements of financial position and condensed consolidated interim statements of income and comprehensive income include Killam's rights to and obligations for the related assets, liabilities, revenue and expenses. As at March 31, 2020, the fair value of the investment properties subject to joint control was $262.7 million (December 31, 2019 - $261.2 million).

6. Other Current Assets

As at	**March 31, 2020**	December 31, 2019
Restricted cash	**$7,746**	$6,594
Deposits	**6,585**	4,433
Prepaid expenses	**8,858**	5,060
Inventory	**93**	12
	$23,282	$16,099

Restricted cash consists of security deposits and property tax reserves. Deposits consist of funds held in trust for future acquisitions. Inventory relates to manufactured homes for which sales have not closed at quarter-end.

7. Mortgages and Loans Payable

As at	**March 31, 2020**		December 31, 2019	
	Weighted Average Interest	**Debt Balance**	Weighted Average Interest	Debt Balance
Mortgages and loans payable				
Fixed rate	**2.86%**	**$1,501,371**	2.90%	$1,427,470
Variable rate	**3.70%**	**10,800**	4.63%	10,800
Total		**$1,512,171**		$1,438,270
Current		**222,169**		276,568
Non-current		**1,290,002**		1,161,702
		$1,512,171		$1,438,270

Mortgages are collateralized by a first charge on the properties of Killam and vendor mortgages are collateralized by either a second charge on the property or a general corporate guarantee.

As at March 31, 2020, unamortized deferred financing costs of $34.7 million (December 31, 2019 - $32.2 million) and mark-to-market adjustments on mortgages assumed on acquisitions of $0.01 million (December 31, 2019 - $0.01 million) are netted against mortgages and loans payable.

Dollar amounts in thousands of Canadian dollars (except as noted)

7. Mortgages and Loans Payable (continued)

Estimated future principal payments and maturities required to meet mortgage obligations by the 12 month period ending March 31, are as follows:

	Principal Amount	**% of Total Principal**
2021	$222,169	14.4%
2022	205,066	13.3%
2023	138,081	8.9%
2024	235,362	15.2%
2025	274,779	17.8%
Subsequent to 2025	471,366	30.4%
	$1,546,823	100.0%
Unamortized deferred financing costs	($34,664)	
Unamortized mark-to-market adjustments	$12	
	$1,512,171	

8. Lease Liabilities

As at	**March 31, 2020**
Lease liabilities at beginning of period	$8,919
Net change in lease liabilities	631
Lease liabilities at end of period	$9,550

As at March 31, 2020, the right-of-use assets and lease liabilities are $9.6 million (March 31, 2019 - $7.1 million). The right-of-use assets are classified as part of investment properties and the lease liabilities are classified in other liabilities on the condensed consolidated interim statement of financial position. The total lease payments for the three months ended March 31, 2020, were $0.08 million (March 31, 2019 - $0.03 million).

Dollar amounts in thousands of Canadian dollars (except as noted)

9. Credit Facilities

Killam has access to two credit facilities with credit limits of $70.0 million ($90.0 million with the accordion feature) and $10.0 million (December 31, 2019 - $70.0 million and $5.0 million) that can be used for acquisition and general business purposes.

The $70.0 million facility bears interest at prime plus 70 bps on prime rate advances or 170 bps over bankers' acceptances ("BAs"). The facility includes a $30.0 million demand revolver and a $40.0 million committed revolver as well as an accordion option to increase the $70.0 million facility by an additional $20.0 million. Killam has the right to choose between prime rate advances and BAs based on available rates and timing. As at March 31, 2020, Killam has assets with a carrying value of $83.8 million pledged as first mortgage ranking and $345.4 million pledged as second mortgage ranking to the line and a balance outstanding of $20.0 million (December 31, 2019 - $nil). The agreement includes certain covenants and undertakings with which Killam was in compliance as at March 31, 2020. The facility expires in December 2020, Killam has a one year extension option on the facility.

The $10.0 million demand facility bears interest at prime plus 125 bps on advances and 135 bps on issuance of letters of credit in addition to 50 bps per annum. The facility was increased from $5.0 million during Q1-2020. As at March 31, 2020, Killam had assets with a carrying value of $1.9 million pledged as collateral (December 31, 2019 - $1.9 million) and letters of credit totaling $1.3 million outstanding against the facility (December 31, 2019 - $1.3 million). The agreement includes certain covenants and undertakings with which Killam was in compliance as at March 31, 2020.

As at March 31, 2020	**Maximum Loan Amount(1)**	**Amount Drawn**	**Letters of Credit**	**Amount Available**
$70.0 million facility	**$90,000**	**$20,000**	**—**	**$70,000**
$10.0 million facility	**10,000**	**—**	**1,332**	**8,668**
Total	**$100,000**	**$20,000**	**$1,332**	**$78,668**

As at December 31, 2019	Maximum Loan Amount(1)	Amount Drawn	Letters of Credit	Amount Available
$70.0 million facility	$90,000	—	—	$90,000
$5.0 million facility	5,000	—	1,282	3,718
Total	$95,000	$—	$1,282	$93,718

(1) Maximum loan includes a $20.0 million accordion option, for which collateral is pledged.

10. Construction Loans

As at March 31, 2020, Killam had access to a floating rate non-revolving demand construction loan, for the purpose of financing its Shorefront development, totaling $15.5 million. Payments are made monthly on an interest-only basis. The construction loan has an interest rate of 150 bps above BAs. Once construction is complete and rental targets achieved, the construction loan will be repaid in full and replaced with conventional mortgages. The underlying asset with a carrying value of $17.1 million is pledged as collateral against this loan.

As at March 31, 2020, $5.5 million was drawn on the construction loan (December 31, 2019- $24.9M on two construction loans). The interest rate is 4.00% (December 31, 2019 - 3.32%).

Dollar amounts in thousands of Canadian dollars (except as noted)

11. Accounts Payable and Accrued Liabilities

As at	**March 31, 2020**	December 31, 2019
Accounts payable and other accrued liabilities	**$32,002**	$28,960
Distributions payable	**5,811**	5,668
Mortgage interest payable	**3,186**	3,202
Security deposits	**9,085**	8,784
	$50,084	$46,614

12. Exchangeable Units

	Number of Exchangeable Units	**Value**
Balance, December 31, 2019	4,153,520	$78,668
Fair value adjustment	—	(13,125)
Balance, March 31, 2020	**4,153,520**	**$65,543**

The Exchangeable Units are non-transferable, but are exchangeable, on a one-for-one basis, into Killam Trust Units at any time at the option of the holder. Prior to such exchange, distributions will be made on these Exchangeable Units in an amount equivalent to the distributions that would have been made had the Units been exchanged for Killam Trust Units.

13. Unitholders' Equity

By virtue of Killam being an open-ended mutual fund Trust, unitholders of Trust Units are entitled to redeem their Trust Units at any time at prices determined and payable in accordance with the conditions specified in Killam's DOT. As a result, under IFRS, Trust Units are defined as financial liabilities; however, for the purposes of financial statement classification and presentation, the Trust Units may be presented as equity instruments as they meet the puttable instrument exemption under IAS 32.

All Trust Units outstanding are fully paid, have no par value and are voting Trust Units. The DOT authorizes the issuance of an unlimited number of Trust Units. Trust Units represent a unitholder's proportionate undivided beneficial interest in Killam. No Trust unit has any preference or priority over another. No unitholder has or is deemed to have any right of ownership in any of the assets of Killam. Each unit confers the right to one vote at any meeting of unitholders and to participate pro rata in any distributions and, on liquidation to a pro rata share of the residual net assets remaining after preferential claims thereon of debtholders.

Unitholders have the right to redeem their Units at the lesser of (i) 90% of the market price of the Trust Unit (market price is defined as the weighted average trading price of the previous 10 trading days) and (ii) the most recent closing market price (closing market price is defined as the weighted average trading price on the specified date) at the time of the redemption. The redemption price will be satisfied by cash, up to a limit of $50 thousand for all redemptions in a calendar month, or a note payable. For the three months ended March 31, 2020, no unitholders redeemed Units.

The Units issued and outstanding are as follows:

	Number of Trust Units	**Value**
Balance, December 31, 2019	97,863,244	$1,009,166
Distribution reinvestment plan	285,565	5,789
Restricted Trust Units redeemed	65,839	510
Balance, March 31, 2020	**98,214,648**	**$1,015,465**

13. Unitholders' Equity (continued)

Distribution Reinvestment Plan ("DRIP")

Killam's DRIP allows unitholders to acquire additional Units of the Trust through the reinvestment of distributions on their Units. Unitholders who participate in the DRIP receive additional Units equal to 3% of the Units reinvested. Units issued with the DRIP are issued directly from the Trust at a price based on the 10-day volume weighted average closing price of the Toronto Stock Exchange ("TSX") preceding the relevant distribution date, which typically is on or about the 15th day of the month following the distribution declaration.

14. Distributions

Killam paid distributions to its unitholders during 2019 in accordance with its DOT. Distributions declared by the Board of Trustees were paid monthly, on or about the 15th day of each month.

For the three months ended March 31, 2020, the distributions declared related to the Trust Units were $16.5 million (three months ended March 31, 2019 - $14.3). For the three months ended March 31, 2020, distributions declared related to the Exchangeable Units were $0.7 million (three months ended March 31, 2019 - $0.7 million). The distributions on the Exchangeable Units are recorded in financing costs.

15. Deferred Unit-based Compensation

Restricted Trust Units ("RTUs") are awarded to members of the senior executive team and director-level employees as a percentage of their compensation. The Trust also grants RTUs subject to performance conditions under the RTU Plan for certain senior executives. Non-executive members of the Board of Trustees have the right to receive a percentage of their annual retainer in the form of RTUs.

The number of RTUs awarded are based on the volume weighted average price of all Trust Units traded on the TSX for the five trading days immediately preceding the date on which the compensation is awarded. The RTUs earn distributions based on the same distributions paid on the Trust Units, and such distributions translate into additional RTUs. The initial RTUs, and RTUs acquired through distribution reinvestment, are credited to each person's account and are not issued to the employee or Board member until they redeem such RTUs. For employees, the RTUs will be redeemed and paid out in Trust Units by December 31 of the year in which the RTUs have vested. Effective Q3-2017, RTUs issued to Trustees will be redeemed and paid, in the issuance of Trust Units, upon retirement from the Board.

The RTUs subject to performance conditions will be subject to both internal and external measures consisting of both absolute and relative performance over a three-year period. Killam accounts for the RTUs subject to performance conditions under the fair value method of accounting, and uses the Monte-Carlo simulation pricing model to determine the fair value, which allows for the incorporation of the market based performance hurdles that must be met before the RTUs subject to performance conditions vest.

The RTUs are considered a financial liability because there is a contractual obligation for the Trust to deliver Trust Units (which are accounted for as liabilities, but presented as equity instruments under IAS 32) upon conversion of the RTUs. The RTUs are measured at fair value with changes flowing through the condensed consolidated interim statements of income and comprehensive income. The fair value of the vested RTUs as at March 31, 2020, is $3.2 million, which includes $0.7 million related to RTUs subject to performance conditions (March 31, 2019 - $5.0 million and $1.0 million). For the three months ended March 31, 2020, compensation expense of $0.5 million (three months ended March 31, 2019 - $0.6 million) has been recognized in respect of the RTUs.

Dollar amounts in thousands of Canadian dollars (except as noted)

15. Deferred Unit-based Compensation (continued)

The details of the RTUs issued are shown below:

	2020		2019	
For the three months ended March 31,	**Number of RTUs**	**Weighted Average Issue Price**	Number of RTUs	Weighted Average Issue Price
Outstanding, beginning of period	**364,874**	**$14.72**	403,730	$13.12
Granted	**105,777**	**19.68**	88,055	17.18
Redeemed	**(124,385)**	**12.78**	(71,912)	12.61
Forfeited	**(1,635)**	**18.68**	(1,529)	12.83
Additional Restricted Trust Unit distibutions	**2,977**	**20.26**	4,107	17.13
Outstanding, end of period	**347,608**	**$16.95**	422,451	$14.09

16. Revenue

In accordance with IFRS 15, Management has evaluated the lease and non-lease components of its revenue and has determined the following allocation:

	For the three months ended March 31,	
	2020	2019
Rental revenue	**$45,571**	$41,174
Property expense recoveries	**15,191**	13,725
Ancillary revenue	**2,532**	2,287
	$63,294	$57,186

17. Financing Costs

	Three months ended March 31,	
	2020	2019
Mortgage, loan and construction loan interest	**$10,823**	$10,191
Interest on credit facilities	**337**	449
Interest on exchangeable units	**692**	671
Amortization of deferred financing costs	**744**	895
Amortization of fair value adjustments on assumed debt	**24**	40
Unrealized loss on derivative asset	**443**	195
Interest on lease liabilities	**96**	73
Capitalized interest	**(575)**	(673)
	$12,584	$11,841

Dollar amounts in thousands of Canadian dollars (except as noted)

18. Deferred Income Tax

Trusts that satisfy the REIT Exemption are excluded from the specified investment flow-through ("SIFT") definition and therefore will not be subject to taxation under the SIFT Rules. Effective December 31, 2019, Killam qualified for the REIT Exemption and continues to meet the REIT Exemption as at March 31, 2020, and is therefore not subject to taxation to the extent that income is distributed to unitholders. However, this exemption does not extend to the corporate subsidiaries of Killam that are taxable legal entities. For the three months ended March 31, 2020, the deferred tax expense relates to the corporate subsidiary entity of the REIT.

19. Segmented Information

For investment properties, discrete financial information is provided on a property-by-property basis to members of executive management, which collectively comprise the chief operating decision maker ("CODM"). The individual properties are aggregated into segments with similar economic characteristics such as the nature of the property, vacancy rates, long-term growth rates and other characteristics. Management considers that this is best achieved by aggregating into apartments, MHCs and other segments. Consequently, Killam is considered to have three reportable segments, as follows:

- Apartment segment - acquires, operates, manages and develops multi-family residential properties across Canada;
- MHC segment - acquires and operates MHC communities in Ontario and Eastern Canada; and
- Commercial segment - includes seven commercial properties.

Killam's administration costs, other income, financing costs, depreciation, fair value adjustments, loss on disposition and deferred tax expense are not reported to the CODM on a segment basis.

The accounting policies of these reportable segments are the same as those described in the summary of significant accounting policies described in note 2 to the consolidated financial statements for the year ended December 31, 2019. Reportable segment performance is analyzed based on NOI. The operating results, and selected assets and liabilities, of the reportable segments are as follows:

Three months ended March 31, 2020	**Apartments**	**MHCs**	**Commercial**	**Total**
Property revenue	**$56,090**	**$3,199**	**$4,005**	**$63,294**
Property operating expenses	**(21,689)**	**(1,489)**	**(2,068)**	**(25,246)**
Net operating income	**$34,401**	**$1,710**	**$1,937**	**$38,048**

Three months ended March 31, 2019	Apartments	MHCs	Commercial	Total
Property revenue	$51,028	$3,112	$3,046	$57,186
Property operating expenses	(20,669)	(1,461)	(1,511)	(23,641)
Net operating income	$30,359	$1,651	$1,535	$33,545

Selected Statement of financial position items(1)

As at March 31, 2020	**Apartments**	**MHCs**	**Commercial**	**Total**
Total Investment Properties	**$3,071,299**	**$206,735**	**$148,736**	**$3,426,770**
Mortgages payable/ construction loans	**$1,409,183**	**$78,803**	**$29,646**	**$1,517,632**

As at December 31, 2019	Apartments	MHCs	Commercial	Total
Investment properties	$2,960,601	$202,431	$157,572	$3,320,604
Mortgages payable/ construction loans	$1,357,680	$75,577	$29,864	$1,463,121

(1) Total investment properties for the Apartments segment includes IPUC and land held for development.

Dollar amounts in thousands of Canadian dollars (except as noted)

20. Supplemental Cash Flow Information

	Three months ended March 31,	
	2020	2019
Net income items related to investing and financing activities		
Interest paid on mortgages payable and other	**$10,709**	$10,078
Interest paid on credit facilities	**337**	449
	$11,046	$10,527
Net change in non-cash operating assets and liabilities		
Rent and other receivables	**$4,933**	$645
Other current assets	**(6,181)**	(2,606)
Accounts payable and other liabilities	**3,470**	1,175
	$2,222	($786)

21. Financial Instruments and Financial Risk Management Objectives and Policies

Killam's principal financial liabilities consist of mortgages, credit facilities, construction loans and trade payables. The main purpose of these financial liabilities is to finance investment properties and operations. Killam has various financial assets, such as tenant receivables and cash, which arise directly from its operations.

Fair Value of Financial Instruments

Fair value is the amount that would be received in the sale of an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of interest-bearing financial assets and liabilities is determined by discounting the contractual principal and interest payments at estimated current market interest rates for the instrument. Current market rates are determined by reference to current benchmark rates for similar term and current credit spreads for debt with similar terms and risks. The fair values of the Trust's financial instruments were determined as follows:

(i) the fair values of the mortgages payable are estimated based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts Killam might pay or receive in actual market transactions;

(ii) the fair value of the deferred unit-based compensation and the Exchangeable Units is estimated at the reporting date, based on the closing market price of the Trust Units listed on the TSX. The performance based RTUs are determined using a pricing model. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in estimates could significantly affect fair values;

(iii) the fair value of the derivative is calculated based on an estimate of the mid-market arbitrage-free price of the swap. The arbitrage-free price comprises the present value of the future rights and obligations between two parties to receive or deliver future cash flows or exchange other assets or liabilities. Future obligations are valued as the sum of the present values as of the valuation date of contractually fixed future amounts and expected variable future amounts, the expected size of which is calculated from the projected levels of underlying variables. Future rights are valued as the sum of the present values of the expected values of contingent future amounts, the existence and size of which are calculated from the projected levels of underlying variables.

Dollar amounts in thousands of Canadian dollars (except as noted)

21. Financial Instruments and Financial Risk Management Objectives and Policies (continued)

The significant financial instruments and their carrying values as at March 31, 2020, and December 31, 2019, are as follows:

As at	**March 31, 2020**		December 31, 2019	
Classification	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Financial assets carried at FVTPL:				
Derivative asset	**$—**	**$—**	$295	$295
Financial liabilities carried at amortized cost:				
Mortgages and loans payable	**$1,512,171**	**$1,629,583**	$1,438,270	$1,478,413
Financial liabilities carried at FVTPL:				
Exchangeable Units	**$65,543**	**$65,543**	$78,668	$78,668
Derivative liability [1]	**$148**	**$148**	$—	$—
Deferred unit-based compensation	**$3,231**	**$3,231**	$5,363	$5,363

[1] The $0.1 million derivative liability is included in other non-current liabilities within the condensed consolidated interim statements of financial position (December 31, 2019 - $0.3 million derivative asset included in other non-current assets).

The interest rates used to discount the estimated cash flows, when applicable, are based on the five-year government yield curve at the reporting date, plus an adequate credit spread, and were as follows:

As at	**March 31, 2020**	December 31, 2019
Mortgages - Apartments	**1.73%**	2.59%
Mortgages - MHCs	**2.98%**	3.84%

Assets and Liabilities Measured at Fair Value

Fair value measurements recognized in the condensed consolidated interim statements of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values:

Level 1: Quoted prices in active markets for identical assets or liabilities.
Level 2: Quoted prices in active markets for similar assets or liabilities or valuation techniques where significant inputs are based on observable market data.
Level 3: Valuation techniques for which any significant input is not based on observable market data.

The fair value hierarchy of assets and liabilities measured at fair value on a recurring basis in the condensed consolidated interim statements of financial position is as follows:

As at	**March 31, 2020**			December 31, 2019		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Assets						
Investment properties	**—**	**—**	**$3,426,770**	—	—	$3,320,604
Derivative asset	**—**	**—**	**—**	—	$295	—
Liabilities						
Exchangeable Units	**—**	**$65,543**	**—**	—	$76,668	—
Derivative liability	**—**	**$148**	**—**	$—	—	—
Deferred unit-based compensation	**—**	**$2,578**	**$653**	—	$3,987	$1,376

Transfers between levels in the fair value hierarchy are recognized on the date of the event or change in circumstances that caused the transfer. There were no transfers of assets or liabilities between Level 1, Level 2 and Level 3 during the three months ended March 31, 2020.

21. Financial Instruments and Financial Risk Management Objectives and Policies (continued)

Risk Management

Killam may enter into derivative transactions, primarily interest rate swap contracts to manage interest rate risk arising from fluctuations in bond yields, as well as natural gas and oil swap contracts to manage price risk arising from fluctuations in these commodities. It is, and has been, Killam’s policy that no speculative trading in derivatives shall be undertaken. The main risks arising from Killam’s financial instruments are interest rate risk, credit risk and liquidity risk. These risks are managed as follows:

(i) Interest Rate Risk

Killam is exposed to interest rate risk as a result of its mortgages and loans payable; however, this risk is mitigated through Management's strategy to structure the majority of its mortgages in fixed-term arrangements, as well as, at times, entering into cash flow hedges. Killam also structures its financings so as to stagger the maturities of its debt, minimizing the exposure to interest rate volatility in any one year.

As at March 31, 2020, $36.3 million of Killam's debt had variable interest rates, including a construction loan for $5.5 million, a credit facility balance of $20.0 million and two demand loans totaling $10.8 million. These loans and facilities have interest rates of prime plus 0.55% - 1.25% or 125-170 bps above BAs (December 31, 2019 - prime plus 0.55% - 1.0% or 125 bps above BAs) and consequently, Killam is exposed to short-term interest rate risk on these loans.

Killam’s fixed mortgage debt, which matures in the next 12 months, totals $166.0 million. Assuming these mortgages are refinanced at similar terms, except at a 100 bps increase in interest rates, financing costs would increase by $1.6 million per year.

The global impact of COVID-19 has resulted in significant market volatility, Federal and provincial governments along with the Bank of Canada and lenders have moved to stabilize interest rates.

(ii) Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease term commitments. Killam mitigates the risk of credit loss through the diversification of its existing portfolio and limiting its exposure to any one tenant.

Credit assessments are conducted for all prospective tenants and Killam also obtains a security deposit to assist in potential recoveries. In addition, receivables balances are monitored on an ongoing basis. Killam's bad debt expense experience has historically been less than 0.4% of revenue. None of Killam’s tenants account for more than 5% of the tenant receivables as at March 31, 2020 or 2019.

Killam has considered the cash flow difficulties that may be experienced by commercial and residential tenants due to the impact of COVID-19 and the probability of default. Killam has reached rent deferral agreements with a number of commercial tenants and will utilize federal and provincial funded programs and initiatives to minimize credit losses in the event of default. Killam continues to assist residential tenants on a case by case basis dependent upon need. The maximum exposure to credit risk is the carrying amount of each class of financial assets.

(iii) Liquidity Risk

Management manages Killam’s cash resources based on financial forecasts and anticipated cash flows. Killam structures its financing so as to stagger the maturities of its debt, thereby minimizing Killam’s exposure to liquidity risk in any one year. In addition, Killam's apartments qualify for Canadian Mortgage and Housing Corporation ("CMHC") insured debt, reducing the refinancing risk upon mortgage maturities.

Killam’s MHCs do not qualify for CMHC insured debt; however, MHCs have access to conventional mortgage debt. Management does not anticipate liquidity concerns on the maturity of its mortgages as funds continue to be accessible in the multi-residential sector.

Dollar amounts in thousands of Canadian dollars (except as noted)

21. Financial Instruments and Financial Risk Management Objectives and Policies (continued)

During the three months ended March 31, 2020, Killam refinanced $59.0 million of maturing apartment mortgages with new mortgages totaling $60.9 million generating net proceeds of $1.9 million. In addition, during the three months ended March 31, 2020 Killam refinanced $7.5 million of maturing MHC mortgages with new mortgages totaling $11.5M generating net proceeds of $4.0M. The following table presents the principal payments (excluding interest) and maturities of Killam's liabilities for the next five years and thereafter:

For the twelve months ending March 31,	Mortgage and loans payable	Construction loans	Credit facilities	Total
2021	$222,169	$5,461	20,000	$247,630
2022	205,066	—	—	205,066
2023	138,081	—	—	138,081
2024	235,362	—	—	235,362
2025	274,779	—	—	274,779
Thereafter	471,365	—	—	471,365
	$1,546,822	$5,461	$20,000	1,572,284

(1) Killam's $70 million credit facility expires in December 2020, however Killam has a one year extension option on the facility.

22. Capital Management

The primary objective of Killam's capital management is to ensure a healthy capital structure to support the business and maximize unitholder value. Killam manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, Killam may adjust the distribution payment to unitholders, issue additional Units, issue debt securities or adjust mortgage financing on properties.

Killam's primary measure of capital management is the total debt to total assets ratio. Killam's strategy, as outlined in the operating policies of its DOT, is for its overall indebtedness not to exceed 70% of total assets. However, Killam's long-term target is to manage overall indebtedness to be below 50%. The calculation of the total debt to total assets is summarized as follows:

As at	**March 31, 2020**	December 31, 2019
Mortgages and loans payable	**$1,512,171**	$1,438,270
Credit facilities	**$20,000**	$—
Construction loans	**$5,461**	$24,851
Total interest bearing debt	**$1,537,632**	$1,463,121
Total assets (1)	**$3,459,264**	$3,371,477
Total debt as a percentage of total assets	**44.4%**	43.4%

(1) Excludes right of use asset of $9.6 million as at March 31, 2020 (December 31, 2019 $8.7 million).

The above calculation is sensitive to changes in the fair value of investment properties, in particular, cap-rate changes. The quantitative sensitivity analysis shown below illustrates the value increase or decrease in Killam's debt to asset ratio given the change in the noted input:

Cap-rate Sensitivity Increase/ (Decrease)	Fair Value of Investment Properties	Total Assets	Total Debt as % of Total Assets	Change (bps)
(0.50%)	$3,652,612	$3,794,847	40.5%	(390)
(0.25%)	$3,454,418	$3,596,653	42.8%	(160)
—%	$3,317,028	$3,459,264	44.4%	—
0.25%	$3,121,762	$3,263,997	47.1%	270
0.50%	$2,971,297	$3,113,532	49.4%	500

Dollar amounts in thousands of Canadian dollars (except as noted)

23. Commitments and Contingencies

Killam has entered into commitments for development costs of $54.1 million as at March 31, 2020 (December 31, 2019 - $52.0 million).

Killam is subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance. Management believes that the final outcome of such matters will not have a material adverse effect on the financial position, results of operations or liquidity of Killam. However, actual outcomes may differ from Management's expectations.

Killam owns a 10% interest of a planed four-phase 829-unit development project in Calgary, Alberta. At the completion of construction of the first phase and the achievement of certain conditions of Phase 1, Killam has a $55.0 million commitment in place to purchase three, four-storey apartment buildings, containing 233 residential units.

Killam entered into a supply contract for electricity to hedge its own usage, which is summarized below:

Area	**Utility**	**Usage Coverage**	**Term**	**Cost**
Alberta	Hydro	50%	January 1, 2020- December 31, 2020	$58.39/MWh

24. Financial Guarantees

Killam is the guarantor on a joint and several basis for certain mortgage debt held through its joint operations. As at March 31, 2020, the maximum potential obligation resulting from these guarantees is $84.6 million, related to long term mortgage financing (December 31, 2019 - $85.1 million). The loans held through its joint operations are secured by a first ranking mortgage over the associated investment properties. Killam's portion of the total mortgages for these properties are recorded as a mortgage liability on the condensed consolidated interim statements of financial position.

Management has reviewed the contingent liability associated with its financial guarantee contracts and, as at March 31, 2020, determined that a provision is not required to be recognized in the condensed consolidated interim statements of financial position (December 31, 2019 - $nil).

25. Comparative Figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current period. Killam reclassified on the condensed consolidated interim statement of income and comprehensive income, bad debt expense and recovery of $0.09 million from "property revenue" to "operating expenses" to reflect the nature of these expenses.

26. Related Party Transactions

Killam has construction management and development agreements with APM Construction ("APM") and MacLean Contracting Ltd. ("MacLean"), companies owned by a Trustee of Killam, to provide construction services related to the Shorefront apartment development and reconstruction of the Harley Street apartment building in PEI. APM will be paid a market rate development and construction management fee. For the three months ended March 31, 2020, APM was paid $0.3 million in construction management fees (March 31, 2019 - $0.3 million).

Killam owns a 50% interest in two commercial properties located at 3700 & 3770 Kempt Road in Halifax, NS, the remaining 50% interest in these properties is owned by Bloomfield Holdings Ltd. ("Bloomfield"), a company owned by an executive and Trustee of Killam. These properties are managed by an arm's length third party. Killam's head office occupies approximately 23,000 square feet of one of the buildings with base rent of approximately $13.00 per square foot, of which 50% is paid to the related party based on the ownership interest.

27. Subsequent Events

On April 15, 2020, Killam announced a distribution of $0.05667 per unit, payable on May 15, 2020, to unitholders of record on April 30, 2020.

On April 30, 2020, Killam acquired an apartment complex containing 156 apartment units in Langford, BC, for $60.0 million. The acquisition was partially funded with a $35.0 million mortgage.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Trust for future periods.