Q1-2018 Management's Discussion and Analysis

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

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PART I

Business Overview

Killam Apartment REIT ("Killam", the "Trust", or the "REIT"), based in Halifax, Nova Scotia ("NS"), is one of Canada's largest residential landlords, owning, operating, managing and developing a $2.5 billion portfolio of apartments and manufactured home community ("MHC") properties. Killam was founded in 2000 to create value through the consolidation of apartments in Atlantic Canada and MHCs across Canada. Killam entered the Ontario ("ON") apartment market in 2010 and made its first investment in Alberta ("AB") in 2014. Killam broke ground on its first development in 2010 and has completed nine projects to date, with a further two projects currently under construction.

Killam's strategy to drive 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.

The apartment business is Killam's largest segment and accounted for 92.9% of Killam's net operating income ("NOI") for the three months ended March 31, 2018. As at March 31, 2018, Killam's apartment portfolio consisted of 15,093 units, including 1,245 units jointly owned with institutional partners. Killam's 190 apartment properties are located in Atlantic Canada's six largest urban centres (Halifax, Moncton, Saint John, Fredericton, St. John's and Charlottetown), Ontario (Ottawa, London, Toronto and Cambridge), and Alberta (Calgary and Edmonton). Killam is Atlantic Canada's largest residential landlord, owning a 14% share of multi-family rental units in its core markets. Killam plans to expand its presence in Ontario and Alberta through acquisitions and developments and will continue to invest strategically in Atlantic Canada to maintain its market presence.

In addition, Killam owns 5,165 sites in 35 MHCs, also known as land-lease communities or trailer parks, in Ontario and Atlantic Canada. Killam owns the land and infrastructure supporting these communities and leases lots to tenants who own their own homes and pay Killam site rent. The MHC portfolio accounted for 5.8% of Killam's NOI for Q1-2018. Killam also owns commercial properties that accounted for 1.3% of Killam's NOI for the three months ended March 31, 2018.

Basis of Presentation

The following Management's Discussion and Analysis ("MD&A") has been prepared by Management and focuses on key statistics from the condensed consolidated interim financial statements and pertains to known risks and uncertainties. This MD&A should be read in conjunction with the Trust's audited consolidated financial statements for the years ended December 31, 2017 and 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These documents, along with Killam's 2017 Annual Information Form, are available on SEDAR at www.sedar.com.

The discussions in this MD&A are based on information available as at May 9, 2018. This MD&A has been reviewed and approved by Management and the REIT's Board of Trustees.

Declaration of Trust

Killam's investment guidelines and operating policies are set out in Killam's Amended and Restated Declaration of Trust ("DOT") dated November 27, 2015, which is available on SEDAR. A summary of the guidelines and policies are as follows:

Investment Guidelines
- The Trust will acquire, hold, develop, maintain, improve, lease and manage income-producing real estate properties;
- Investments in joint ventures, partnerships (general or limited) and limited liability companies are permitted;
- Investments in land for development that will be capital property for Killam are permitted; and
- Investments that would disqualify Killam as a "mutual fund trust" or a "unit trust" as defined within the *Income Tax Act* (Canada) are prohibited.

Operating Policies
- Overall indebtedness is not to exceed 70% of Gross Book Value, as defined by the DOT;
- Guarantees of indebtedness that would disqualify Killam as a "mutual fund trust" or a "unit trust" as defined within the *Income Tax Act* (Canada) are prohibited; and
- Killam must maintain property insurance coverage in respect of potential liabilities of the Trust.

As at May 9, 2018, Killam was in compliance with all investment guidelines and operating policies.

Forward-looking Statements

Certain statements in this MD&A constitute “forward-looking statements”. In some cases, forward-looking statements can be identified by the use of words such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate”, "potential", "continue" or the negative of these terms or other comparable terminology, and by discussions of strategies that involve risks and uncertainties. Readers should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those anticipated or implied, or those suggested by any forward-looking statements, including: competition, national and regional economic conditions and the availability of capital to fund further investments in Killam's business. Further information regarding these risks, uncertainties and other factors may be found under the heading "Risk Management" in this MD&A and in Killam's most recent Annual Information Form. Given these uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements contained, or incorporated by reference, in this MD&A.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events may not occur. Although Management believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that future results, levels of activity, performance or achievements will occur as anticipated. Neither Killam nor any other person assumes responsibility for the accuracy and completeness of any forward-looking statement, and no one has any obligation to update or revise any forward-looking statement, whether as a result of new information, future events, circumstances, or such other factors that affect this information, except as required by law. The forward-looking statements in this document are provided for the limited purpose of enabling current and potential investors to evaluate an investment in Killam. Readers are cautioned that such statements may not be appropriate and should not be used for any other purpose.

Non-IFRS Financial 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 or cash flow from operating activities determined in accordance with IFRS, as indicators of Killam's performance, or sustainability of Killam's distributions. These measures do not have standardized meanings under IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded organizations.

- Funds from operations ("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; REALpac does not address this adjustment. A reconciliation between net income and FFO is included on page 21.
- Adjusted funds from operations ("AFFO"), and applicable per unit amounts and payout ratios, are calculated by Killam as FFO less an allowance for maintenance capital expenditures ("capex"), representing a three-year rolling historical average capital spend to maintain and sustain Killam's properties. AFFO are calculated in accordance with the REALpac definition. Management considers AFFO an earnings metric. A reconciliation from FFO to AFFO is included on page 23.
- Adjusted cash flow from operations ("ACFO") is calculated by Killam as cash flow from operations with adjustments for changes in working capital that are not indicative of sustainable cash available for distribution, maintenance capital expenditures, amortization of deferred financing costs and non-controlling interest. Management considers ACFO a measure of sustainable cash flow. A reconciliation from cash flow from operating activities to ACFO is included on page 24. ACFO is calculated in accordance with the REALpac definition.
- Earnings before interest, tax, depreciation and amortization ("EBITDA") is calculated by Killam as income before fair value adjustments, gains (losses) on disposition, income taxes, interest, depreciation and amortization.
- Interest coverage is calculated by dividing EBITDA by interest expense, adjusted for interest expense related to exchangeable units.
- Debt service coverage is calculated by dividing EBITDA by interest expense, adjusted for interest expense related to exchangeable units, and principal mortgage repayments.
- Same property results in relation to Killam are revenues and property operating expenses for stabilized properties that Killam has owned for equivalent periods in 2018 and 2017. Same property results represent 84% of the fair value of Killam's investment property portfolio as at March 31, 2018 (94.9% of apartment units and 100% of MHC sites). Excluded from same property results in 2018 are acquisitions, dispositions and developments completed in 2017 and 2018 as well as non-stabilized commercial properties linked to development projects.

PART II

Key Performance Indicators

To assist Management and investors in monitoring Killam's achievement of its objectives, Killam has defined a number of key performance indicators to measure the success of its operating and financial performance:

1) FFO per Unit – A standard measure of earnings for real estate entities. Management is focused on growing FFO per unit.
2) AFFO per Unit – A standard measure of earnings for real estate entities. Management is focused on growing AFFO per unit.
3) Payout Ratio – Killam monitors its AFFO and ACFO payout ratios and targets improved payout ratios. The ACFO payout ratio is a measure to assess the sustainability of distributions. The AFFO payout ratio is used as a supplemental metric. Although Killam expects to sustain and grow distributions, the amount of distributions will depend on debt repayments and refinancings, capital investments, and other factors that may be beyond the control of the REIT.
4) Rental Increases – Management expects to increase average annual rental rates and tracks average rate increases.
5) Occupancy – Management is focused on maximizing occupancy while also managing the impact of higher rents. This measure is a percentage based on vacancy cost divided by gross potential residential rent (in dollars).
6) Same Property NOI – This measure considers Killam's ability to increase the same property NOI, removing the impact of acquisitions, dispositions, developments and other non-same property operating adjustments.
7) Weighted Average Interest Rate of Mortgage Debt and Total Debt – Killam monitors the weighted average cost of its mortgage and total debt.
8) Debt to Total Assets – Killam's primary measure of its leverage is debt as a percentage of total assets. Killam's DOT operating policies stipulate that overall indebtedness is not to exceed 70% of Gross Book Value. Debt to total assets is calculated by dividing total interest-bearing debt by total assets.
9) Weighted Average Years to Debt Maturity – Management monitors the average number of years to maturity on its debt.
10) Debt to EBITDA – A common measure of leverage used by lenders, this measure considers Killam's financial health and liquidity. Generally, the lower the debt to EBITDA ratio, the lower the credit risk.
11) Debt Service Coverage Ratio – A common measure of credit risk used by lenders, this measure considers Killam's ability to pay both interest and principal on outstanding debt. Generally, the higher the debt service coverage ratio, the lower the credit risk.
12) Interest Coverage Ratio – A common measure of credit risk used by lenders, this measure considers Killam's ability to pay interest on outstanding debt. Generally, the higher the interest coverage ratio, the lower the credit risk.

Financial and Operational Highlights

The following table presents a summary of Killam's key IFRS and non-IFRS financial and operational performance measures:

	Three months ended March 31,		
Operating Performance	**2018**	2017	Change (2)
Property revenue	**$49,449**	$44,305	11.6%
Net operating income	**$28,423**	$24,942	14.0%
Net income	**$68,914**	$17,650	290.4%
FFO (1)	**$16,807**	$13,666	23.0%
FFO per unit - diluted (1)	**$0.20**	$0.19	5.3%
AFFO (1)	**$13,180**	$10,051	31.1%
AFFO per unit - diluted (1)	**$0.16**	$0.14	14.3%
Weighted average number of units outstanding - diluted (000s)	**84,790**	73,219	15.8%
Distributions paid per unit	**$0.16**	$0.15	6.7%
AFFO payout ratio - diluted(1)	**101%**	111%	(1,000) bps
AFFO payout ratio - rolling 12 months(1)	**85%**	90%	(500) bps
Portfolio Performance			
Same property NOI(1)	**$24,957**	$23,823	4.8%
Same property NOI margin	**56.9%**	56.5%	40 bps
Same property apartment weighted average rental increase (3)	**2.2%**	1.5%	70 bps
Same property apartment occupancy	**96.8%**	95.5%	130 bps

As at	**March 31, 2018**	December 31, 2017	Change
Leverage Ratios and Metrics			
Debt to total assets	**50.2%**	48.7%	150 bps
Weighted average mortgage interest rate	**2.91%**	2.91%	—
Weighted average years to debt maturity	**4.3**	4.0	0.3 years
Debt to EBITDA (1)	**11.66x**	10.70x	9.0%
Debt service coverage (1)	**1.52x**	1.51x	0.7%
Interest coverage (1)	**3.21x**	3.13x	2.6%

(1) FFO, AFFO, AFFO payout ratio, debt to EBITDA, debt service coverage ratio, interest coverage ratio, and same property NOI are not defined by IFRS, do not have standard meanings and may not be comparable with other industries or companies (see "Non-IFRS Financial Measures").

(2) Change expressed as a percentage or basis point ("bps").

(3) Year-over-year, as at March 31.

Summary of Q1-2018 Results and Operations

Increase in FFO per Unit of 5.3% on Strong Same Property Performance
Killam generated FFO per unit of $0.20 in Q1-2018, 5.3% higher than $0.19 generated in Q1-2017. FFO growth was attributable to increased NOI generated by the same property portfolio, lower interest expense associated with the repayment of the $46 million convertible debentures in April 2017, recent acquisitions and interest savings on mortgage refinancings. This growth was partially offset by a 15.8% increase in the weighted average number of units outstanding from an aggregate $154.1 million of equity issued in March and November 2017.

AFFO per Unit Growth of 14.3%
AFFO per unit increased 14.3% in Q1-2018 to $0.16 compared to $0.14 in Q1-2017. The increase in AFFO per unit is attributable to growth in same property NOI, interest savings and the addition of newer high-quality assets to the portfolio which require lower maintenance capital.

Rental Rate Increases and Occupancy Gains Drove 4.0% Same Property Revenue Growth
Same property revenue increased 4.0% compared to Q1-2017 as a result of a 130 bps increase in average apartment occupancy, a 2.2% increase in the average rental rate for the apartment portfolio, a 30 bps decrease in rental incentives and 2.1% top-line growth within the MHC portfolio. With continued high occupancy levels, increasing rental rates is a key focus for revenue growth. Increases on unit turns and lease renewals averaged 5.0% and 1.5%, during the quarter. New Brunswick and Halifax lead the apartment performance, where same property apartment revenues increased by 6.4% and 4.1%, compared to Q1-2017.

Robust Same Property NOI growth of 4.8%
Killam's same property total operating expenses increased only 3.0% during Q1-2018 contributing to the 4.8% growth in NOI. The first quarter typically has the highest volatility in heating costs, and during Q1-2018, utility and fuel expenses were up 8.6% quarter-over-quarter. The increase was primarily due to higher natural gas prices in New Brunswick and Halifax, coupled with increased fuel consumption as a result of colder temperatures in January across the portfolio. Killam saw a decrease in both electricity and water expenses as a result of electricity rate reductions in Ontario and reduced utility consumption following capital investments in water and energy efficiency programs. Killam was also successful in reducing property operating expenses by 60 bps through various cost management initiatives and in limiting the property tax expense increase to 1.5% through continued assessment appeals.

Fair Value Gains of $61 Million
Killam recorded $60.7 million of fair value gains related to its investment property portfolio during the quarter. This increase reflects a 12 bps reduction in the weighted average cap-rate to 5.25% for Killam's apartment portfolio. The fair value gains are supported by strong apartment fundamentals across Killam's core markets and continued downward pressure on cap-rates across the industry.

$124 Million of Acquisitions Support Portfolio Growth
Killam completed $124 million of acquisitions during Q1, including a prime mixed-use office and retail complex with surplus land ideal for multi-family development in Waterloo, ON, for $77.8 million. This property includes a grocery-anchored retail plaza and a four-storey office complex and land for residential development. Killam also closed on a newly constructed 12-storey, 110-unit, apartment building located in Halifax, NS, for $33.0 million and a 1.8 acre development site in Kitchener, ON, for $6.0 million.

Killam also acquired a 40% interest in a downtown Calgary development site for $7.2 million ($18 million for 100%) with its Grid 5 partners. The site is adjacent to Killam’s 307-unit Grid 5 apartment building (50% interest) and is located immediately adjacent to another development site in which Killam already owns a 40% interest. Killam and its partners expect to build three multi-family, high-rise buildings with up to 1,000 units on the combined sites over the next five years.

Saginaw Park Development Substantially Complete
Killam's development, Saginaw Park, located in Cambridge, ON, had its first tenants move in during March 2018. The building reached substantial completion in April 2018 and is currently 65% leased and is expected to be fully leased within six months of opening. Management recorded a $2.6 million fair value gain related to the Saginaw development during the quarter.

Lower Interest Rates Contributed to Earnings Growth
Killam benefited from lower interest rates on mortgages refinanced in Q1-2018, contributing to a 2.4% reduction in same property mortgage interest expense quarter-over-quarter. In total, Killam refinanced $20.5 million of maturing mortgages with $32.1 million of new debt at a weighted average interest rate of 3.21%, 34 basis points lower than the weighted average rate of the maturing debt.

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

Strategic Targets

Growth in Same Property NOI	
2018 Target	Original Target: Same Property NOI growth of 1% to 2%. Revised Target: Same property NOI growth of 2% - 4%.
2018 Performance to-date	Killam achieved same property NOI growth of 4.8% in Q1-2018. Growth is attributable to increased rental rates, lower rental incentives and higher occupancy across the portfolio. Based on the strong top line results in the first quarter, Killam increased its NOI growth target for the year to between 2% and 4% growth.
Expanded Portfolio through Accretive Acquisitions	
2018 Target	Original Target: A minimum of $125 million of acquisitions. Revised Target: $150 - $250 million of acquisitions.
2018 Performance to-date	During Q1-2018, Killam completed $124 million in acquisitions, growing the portfolio to $2.5 billion. Acquisitions included a $78 million property with 297,000 square feet of retail and office space in Waterloo, which includes land for residential development, a 110-unit apartment building in Halifax for $33.0 million, and land for future development located in Calgary and Kitchener for a total of $13.2 million. Based on acquisitions completed in Q1-2018 and available acquisition capacity, Management expects to complete $150 million to $200 million in acquisitions in 2018.
Geographic Diversification	
2018 Target	At least 75% of acquisitions made outside Atlantic Canada and to earn at least 26% of 2018 NOI outside Atlantic Canada.
2018 Performance to-date	During Q1-2018, 73% of Killam's $124 million of acquisitions were outside Atlantic Canada. Following these acquisitions, Killam is on track to meet its 2018 target, forecasting approximately 27% of NOI to be generated outside Atlantic Canada in 2018 compared to 23% in 2017.
Development of High-Quality Properties	
2018 Target	To complete The Alexander and Saginaw developments, and break ground on one additional development project.
2018 Performance to-date	The Saginaw development was completed on schedule and opened in April 2018 with a $2.6 million fair value gain recorded during the quarter. The Alexander development has been delayed from its original schedule and is expected to be completed in September 2018. Killam remains on schedule with the Frontier development in Ottawa. Killam has received final approval from the City of Mississauga for its Silver Spear II joint development project, and expects to break ground in Q4-2018.
Strengthened Balance Sheet	
2018 Target	Maintain debt as a percentage of assets ratio below 52%.
2018 Performance to-date	Debt as a percentage of total assets was 50.2% at March 31, 2018.

Outlook

Strong Fundamentals Expected to Drive Rental Growth

Population growth from immigration, a wave of baby boomers and seniors transitioning from home ownership to apartment living, a growing number of people living alone and a trend for young Canadians to delay homeownership is expected to support strong rental demand for the foreseeable future. Rapidly rising home prices in Ontario are also increasing demand for rental units in that province. Home ownership levels are also expected to be impacted by recent mortgage qualification changes that increase the income and equity required to obtain financing, further supporting demand for apartments.

With one of the newest and highest-quality apartment portfolios in Canada, Killam is well positioned to respond to this strong demand. Management expects to grow revenues by maximizing rental rates while maintaining high occupancy levels. With the majority of Killam's portfolio not exposed to rent controls, Management has the flexibility to move rents to market on lease renewal on an annual basis. In rent controlled Ontario, Management expects to maximize the rental rates on unit turns as extremely tight rental markets are expected to lead to higher-than-normal rental rate growth.

Expanded Suite Repositioning Program

Killam is accelerating its suite repositioning program, tripling its investment from $1.0 million in 2017 to a minimum of $3.0 million in 2018. Suite repositionings represent unit upgrades above $10,000. Killam is targeting a return on investment of at least 10% and monthly rental rate increases of 10% - 30% upon completion of the renovation and lease up. Management is committed to investing further in repositioning its suites to increase revenue growth and the net asset value of the portfolio.

Rollout of Energy Efficiency Opportunities to Reduce Consumption and Increase Margins

Investments in energy and water-saving initiatives, and operational efficiencies, are expected to continue to reduce Killam's resource consumption and improve operating margins. Killam is in its second full year of a five-year, $25 million program to reduce the carbon footprint of its buildings through the installation of low-flow water fixtures, boiler, ventilation and cooling system upgrades, and the retrofit of temperature and lighting systems. Killam has expanded its operations team to bring energy specialists in-house to optimize this capital investment. Management has invested $6.1 million to-date and is forecasting further investments of $5.0 million in 2018 on projects with an average payback of approximately four years. These projects are expected to improve same property NOI by lowering consumption, reducing Killam's exposure to fluctuating energy costs and volatile winter weather.

Technology to Enhance Efficiencies

Management will continue to invest in technology to improve efficiencies, enhance communication with staff and tenants and use increased data analytics to maximize returns. Management is in the process of implementing enhancements to its leasing platform to improve the tenant mobile and online communication experience.

On Track to Meet Geographic Diversification Targets

Management is focused on continuing to increase its presence in Ontario and Alberta. Based on its current portfolio, and the recently completed acquisition of Westmount Place in Ontario, approximately 27% of Killam's 2018 NOI is forecasted to be generated outside Atlantic Canada, up from 23% in 2017. With future acquisitions and developments planned in both Ontario and Alberta, Killam expects to meet its goal of 30% of NOI generated outside Atlantic Canada by 2020.

Developments will Enhance NAV Growth

Killam is an experienced developer with $100 million of projects underway or recently completed in Halifax, Cambridge and Ottawa. The Cambridge development reached substantial completion in April 2018, the tower of the The Alexander development, which includes 185 units, is expected to be complete by September 2018, Frontier, the first 227-unit building of a four-phase project in Ottawa, is planned to open in mid-2019. Once stabilized, these projects are expected to contribute approximately $0.03 per unit of FFO growth, and $15 million of NAV growth.

Additionally, Killam has land supporting a development pipeline of approximately 2,400 units, representing a potential investment of $700 million. One of these projects, in Mississauga, received final municipal approval in April and construction is expected to commence in Q4-2018. The second phase of the Ottawa project is scheduled to commence in mid-2019. Developments reinforce Killam's position as the owner of one of the newest and highest quality apartment portfolios in Canada. See further discussion on land held for future development in the "Investment Properties" section of this MD&A.

Rising Interest Rates May Lead to Higher Interest Expense Beyond 2018

Management expects to refinance near-term maturities at lower interest rates. Killam has $58.2 million of apartment mortgages maturing through to the end of 2018 having a weighted average interest rate of 3.56%, approximately 50 bps and 25 bps higher than prevailing 5-year and 10-year CMHC-insured rates. $10.8 million of MHC mortgages are also maturing through to the end of 2018 at a weighted average interest rate above current market rates. Beyond 2018, Killam may face higher interest rates on mortgage refinancings. The average interest rate on its mortgages maturing between 2019 and 2022 are below current market rates. Should bond-yields continue to rise, Management expects to experience an increase in interest expense after 2018. Management has laddered its debt maturity schedule and reduced its overall leverage to minimize its exposure to a likely rising interest rate environment. Management plans to maintain its conservative debt metrics and continue to flatten out its debt maturity schedule as its mortgages mature.

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

PART III

Portfolio Summary

The following table summarizes Killam's apartment, MHC and commercial portfolios by market as at March 31, 2018:

Apartment Portfolio				
	Units (1)	Number of Properties	NOI ($) (2)	NOI (2) (% of Total)
Nova Scotia				
Halifax	5,569	64	$10,921	38.4%
Sydney	139	2	$299	1.1%
	5,708	66	$11,220	39.5%
New Brunswick				
Fredericton	1,422	21	$2,108	7.4%
Moncton	1,629	31	$2,133	7.5%
Saint John	1,202	14	$1,121	3.9%
Miramichi	96	1	$147	0.5%
	4,349	67	$5,509	19.3%
Ontario				
Ottawa	1,064	9	$1,858	6.5%
London	523	5	$1,198	4.2%
Toronto	378	2	$905	3.2%
Cambridge	347	3	$1,025	3.6%
	2,312	19	$4,986	17.5%
Newfoundland & Labrador				
St. John's	915	12	$1,765	6.2%
Grand Falls	148	2	$165	0.6%
	1,063	14	$1,930	6.8%
Prince Edward Island				
Charlottetown	906	18	$1,354	4.8%
Summerside	86	2	$112	0.4%
	992	20	$1,466	5.2%
Alberta				
Edmonton	296	2	$770	2.7%
Calgary	373	2	$541	1.9%
	669	4	$1,311	4.6%
Total Apartments	**15,093**	**190**	**$26,422**	**92.9%**
Manufactured Home Community Portfolio				
	Sites	Number of Communities	NOI ($) (2)	NOI (2) (% of Total)
Nova Scotia	2,626	16	$1,020	3.6%
Ontario	2,145	16	$535	1.9%
New Brunswick (4)	224	1	$—	—%
Newfoundland & Labrador	170	2	$83	0.3%
Total MHCs	**5,165**	**35**	**$1,638**	**5.8%**
Commercial Portfolio (3)				
	Square Footage	Number of Properties	NOI ($)	NOI (% of Total)
Halifax, NS	254,000	5	$319	1.1%
Waterloo, ON(5)	297,000	1	$44	0.2%
Total Commercial	**551,000**	**6**	**$363**	**1.3%**
Total Portfolio			**$28,423**	**100.0%**

(1) Unit count includes properties held through Killam's joint arrangements. Killam has a 50% ownership interest in one property in Alberta and two properties in Ontario, representing a proportionate ownership of 623 units of the 1,245 units in these properties. Killam manages the operations of all the co-owned properties.

(2) For the three months ended March 31, 2018.

(3) Killam also has 118,000 SF of ancillary commercial space in various residential properties across the portfolio, which is included in apartment results.

(4) This property is a seasonal resort which is operational during Q2 and Q3.

(5) This property was acquired on March 29, 2018.

Core Market Update

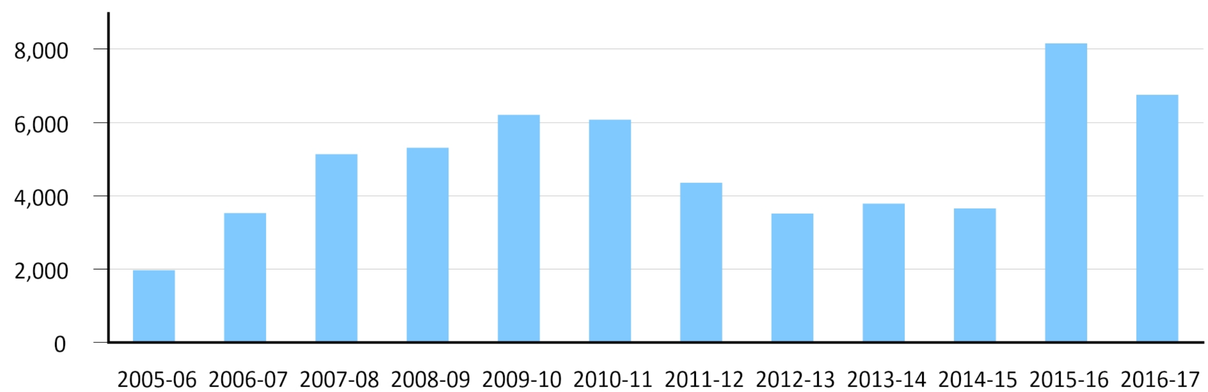
Halifax
38% of Killam's NOI is generated by its Halifax properties. Halifax is the largest city in Atlantic Canada and is home to 18% of Atlantic Canadians. The city's rental market totals 47,303 units, representing 47% of Atlantic Canada's rental universe, as measured by CMHC.

Halifax's diverse economy generates 56% of Nova Scotia's GDP with 45% of the province's population. Employment is concentrated in the public service, health care, higher education, manufacturing and retail and wholesale trade. Halifax is home to Canada's largest Armed Forces Base, by personnel, and the Department of National Defence is the city's single largest employer. With six degree-granting universities and three large community college campuses, Halifax has approximately 36,000 students, including 6,000 international students.

The Conference Board of Canada's 2017 Autumn Metropolitan Outlook forecasts that Halifax's GDP will expand by 2.2% in each of 2018 and 2019, fueled by growth in the manufacturing and retail sectors. Over the mid-term, construction projects in the city, including Irving Shipyard's $25 billion shipbuilding contract, and expansion in the service sector, will contribute to economic growth. The $220 million Ocean Frontier Institute, led by Dalhousie University, with funding from the Canadian government and local philanthropists, will build on Halifax's standing as a world leader in oceanic research. Halifax also anchored Atlantic Canada's successful bid for the federal government's Ocean Supercluster program, an initiative that could see $1 billion invested in innovation projects across the region.

Halifax has experienced improved occupancy and growing rental rates due to economic and population growth and demographic trends as baby boomers shift to apartment living from home ownership. International and intraprovincial migration have also contributed to demand for apartments in the city, with Halifax experiencing its largest population increase since the Second World War during the 12-month period ended June 2016, due primarily to immigration. The following chart summarizes population growth from 2005 to 2017. Population growth for the 12-month period ended June 30, 2017 was also well above average growth.

Historical Population Growth and Source, Halifax
Annually from July 1 - June 30

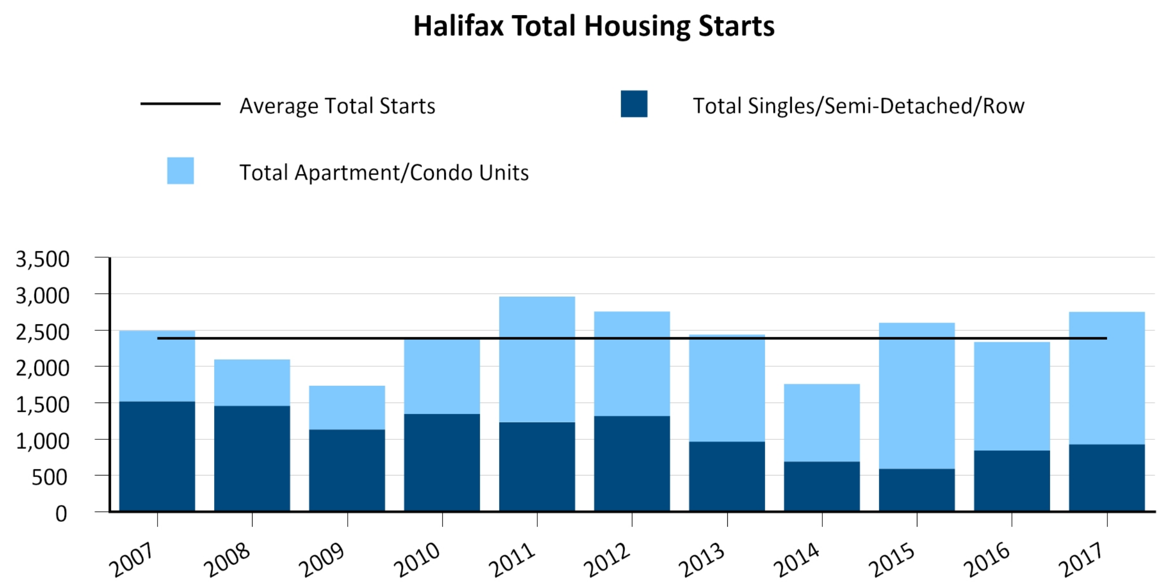


(1) Source: Statistics Canada

CMHC, in its Fall 2017 Housing Market Outlook ("CMHC 2017 Outlook"), projects Halifax's population to grow from 426,000 in 2016 to 445,000 by 2019, a 4% increase. Immigration will be a significant source of new residents, through the Provincial Nominee Program and the Atlantic Immigration Pilot Program, as well as migration from rural Nova Scotia. CMHC expects the employment level to rise by 2.5% over the same period to 232,000.

While overall housing starts have remained relatively flat over the past decade, there has been a shift in the mix of new dwellings. Historically, single-detached starts have exceeded multi-units; however, multi-unit construction has outpaced single family for each of the past five years, a trend that is expected to continue. CMHC reported 1,826 multi-family starts in 2017 and in its 2017 Outlook forecasts 2,305 and 2,050 starts in 2018 and 2019. Single family starts of 926 were reported in 2017, and 740 and 700 single family starts are forecasted in 2018 and 2019. With expected economic and population growth and the introduction of new rental product, CMHC expects the average monthly rental rate for a two-bedroom unit to increase to $1,225 by 2019 from $1,125 today, a 9% increase; however, vacancy rates are expected to rise modestly to 3.3%. Halifax ended 2017 on a high note, with CMHC reporting average apartment vacancy of 2.3%, compared to 2.6% in 2016, in its Fall 2017 Rental Market Report.

The following chart summarizes Halifax's housing start activity from 2007 to 2017:



Source: CMHC

New Brunswick
19% of Killam's NOI is generated by apartments in New Brunswick's three major urban centres - Fredericton, Moncton and Saint John. Fredericton is the provincial capital and home to the province's largest university and a significant public sector workforce. Moncton is the province's largest city and is a transportation and distribution hub for Atlantic Canada. Moncton has experienced strong population growth in recent years, driven by urbanization from French communities in Northern New Brunswick, while the Saint John market is focused on industry and energy.

Stronger occupancy in the province during 2017 was primarily due to intraprovincial and international migration, demand from downsizing boomers, and slowing emigration as a result of an improved provincial economy. These factors, combined with limited new construction, have resulted in improved occupancy. CMHC's 2017 Outlook forecasts the population of these three centres to grow by almost 7,300 people, or 5%, between 2017 and 2019. Actual vacancy reported in CMHC's 2017 Rental Market Report in late 2017 in Fredericton, Moncton and Saint John was 2.2%, 4.5% and 4.7%, respectively.

Newfoundland and Labrador
7% of Killam's apartment NOI is generated in Newfoundland. Following a decade of strong economic growth from investment in the offshore oil sector, this region has adjusted to the impact of lower oil prices. In its Fall 2017 Rental Market Report, CMHC reported an improvement to St. John's apartment occupancy, following eight years of rising vacancy. CMHC reported 7.1% vacancy in St. John's in October 2017. Following a decline in new rental product in St. John's, the city's rental market has stabilized.

Prince Edward Island
Killam has an 18% share of the Charlottetown market, the provincial capital and economic center of Prince Edward Island. The Charlottetown market accounted for 5% of Killam's total NOI in Q1-2018. As a proportion of its population, Prince Edward Island had amongst the highest rates of international immigration in Canada during 2017, creating a significant reduction in the region's vacancy. CMHC's 2017 Outlook expects this trend to continue through 2019, with Charlottetown's population increasing by 7% to 77,500, from the 2016 base of 72,344. CMHC reported Charlottetown vacancy of 0.9% in October 2017 and is forecasting vacancy to remain below 1% in 2018 and 2019. Killam's occupancy in PEI is near 100% and rental rate growth has been in-line with legislated increases.

Ontario
Killam's Ontario apartment portfolio generated 18% of NOI in Q1-2018. The Ontario rental market is strong as the province continues to experience economic and population growth attributable to high levels of international immigration. Additionally, a widening gap between the cost of home ownership and renting is increasing the demand for rental stock. CMHC reported a 2.7% increase in average rents for the overall Ontario rental market and a 10 bps reduction in vacancy compared to 2016 in its 2017 Rental Market Report. CMHC projects that vacancy rates will remain near 2.0% through 2019 driven by higher housing prices, international migration and an aging population, and that rental rates will increase by 4.7% over the same period.

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

On May 18, 2017, the Government of Ontario passed the *Rental Fairness Act*, extending rent control to properties built after 1991. On June 23, 2017, the rental increase ceiling was set at 1.8% for 2018. Future increases will be pegged to inflation; however, landlords have the ability to increase rents to market on unit turns.

Alberta
Killam generated 5% of its Q1-2018 NOI in Alberta. In its 2017 Rental Market Report, CMHC reported 6.3% vacancy for Calgary, an improvement from 7.0% in 2016, and an average monthly rental rate of $1,247 for a two-bedroom apartment, down 1.3% from the previous year. In Edmonton, CMHC reported 7.0% vacancy in 2017, versus 7.1% in 2016, and an average monthly rental rate of $1,215 for a two-bedroom apartment, down 1.6% from a year earlier. In its Fall Market Outlook, CMHC forecasts vacancy in Calgary to fall to 5.0% by 2019 as migration due to economic growth drives rental demand. In Edmonton, CMHC is expecting vacancy to fall to 5.2% by 2019, as stronger employment leads to population growth.

PART IV

Q1-2018 Financial Overview
Consolidated Results

For the three months ended March 31,

	Total Portfolio			Same Property			Non-Same Property		
	2018	2017	% Change	**2018**	2017	% Change	**2018**	2017	% Change
Property revenue	**$49,449**	$44,305	11.6%	**$43,884**	$42,192	4.0%	**$5,565**	$2,113	163.4%
Property operating expenses									
General operating expenses	**7,992**	7,677	4.1%	**7,108**	7,152	(0.6)%	**884**	525	68.4%
Utility and fuel expenses	**7,220**	6,279	15.0%	**6,633**	6,109	8.6%	**587**	170	245.3%
Property taxes	**5,814**	5,407	7.5%	**5,186**	5,108	1.5%	**628**	299	110.0%
Total operating expenses	**$21,026**	$19,363	8.6%	**$18,927**	$18,369	3.0%	**$2,099**	$994	111.2%
NOI	**$28,423**	$24,942	14.0%	**$24,957**	$23,823	4.8%	**$3,466**	$1,119	209.7%
Operating margin %	**57.5%**	56.3%	120 bps	**56.9%**	56.5%	40 bps	**62.3%**	53.0%	930 bps

Same property results included properties owned during comparable 2018 and 2017 periods. Same property results represent 84% of the fair value of Killam's investment property portfolio as at March 31, 2018 (94.9% of apartment units and 100% of MHC sites). Non-same property results include acquisitions, dispositions and developments completed in 2017 and 2018, commercial assets acquired for future residential development, as well as adjustments to normalize for non-operational revenues or expenses.

Same property revenue grew by 4.0% for the three months ended March 31, 2018, as compared to the three months ended March 31, 2017. This growth is attributable to higher rental rates, lower rental incentive offerings and improved occupancy as a result of strong market fundamentals. Total property operating expenses for the three months ended March 31, 2018, were 3.0% higher than Q1-2017 due to an increase in utility and fuel expense resulting from higher variable pricing and increased consumption. Property taxes grew by a modest 1.5% quarter-over-quarter and operating cost savings aided in offsetting the higher heating costs in Q1-2018. Overall, same property NOI grew by 4.8% and the operating margin improved by 40 bps quarter-over-quarter.

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

Apartment Results

For the three months ended March 31,	Total			Same Property			Non-Same Property		
	2018	2017	% Change	**2018**	2017	% Change	**2018**	2017	% Change
Property revenue	**$45,368**	$40,268	12.7%	**$40,905**	$39,274	4.2%	**$4,463**	$994	349.0%
Property operating expenses									
General operating expenses	**6,813**	6,513	4.6%	**6,271**	6,344	(1.2)%	**542**	169	220.7%
Utility and fuel expenses	**6,708**	5,759	16.5%	**6,284**	5,731	9.6%	**424**	28	1,414.3%
Property taxes	**5,425**	5,028	7.9%	**5,026**	4,951	1.5%	**399**	77	418.2%
Total operating expenses	**$18,946**	$17,300	9.5%	**$17,581**	$17,026	3.3%	**$1,365**	$274	398.2%
NOI	**$26,422**	$22,968	15.0%	**$23,324**	$22,248	4.8%	**$3,098**	$720	330.3%
Operating margin %	**58.2%**	57.0%	120 bps	**57.0%**	56.6%	40 bps	**69.4%**	72.4%	(300) bps

Apartment Revenue

Total apartment revenue for the three months ended March 31, 2018, was $45.4 million, an increase of 12.7% over the three months ended March 31, 2017. Revenue growth was augmented by contributions from recently acquired properties, improved occupancy and higher rental rates.

Non-same property revenue consists of properties acquired in 2017 and 2018, a development project that was partially completed in late 2017, and other adjustments to normalize for non-operational revenue or expense items.

Same property apartment revenue increased 4.2% for the three months ended March 31, 2018, with strong fundamentals and leasing activity contributing to a 130 bps improvement in same property occupancy and a 2.2% increase in average rental rates. As well, rental incentives for the three months ended March 31, 2018, were considerably lower than Q1-2017, as fewer incentives were offered given strong market conditions.

Apartment Occupancy Analysis by Core Market (% of Residential Rent) [(1)]

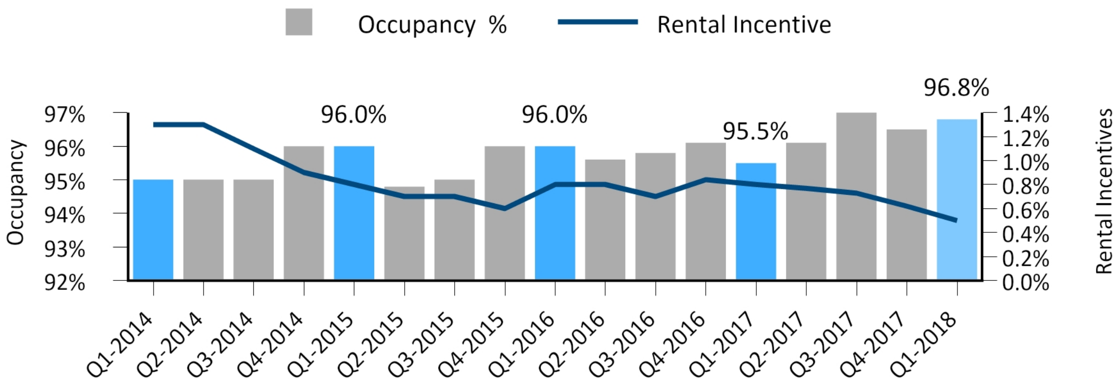
		Total Occupancy			Same Property Occupancy		
For the three months ended March 31,	# of Units	**2018**	2017	Change (bps)	**2018**	2017	Change (bps)
Halifax, NS	5,569	**97.4%**	96.0%	140	**97.5%**	96.0%	150
Moncton, NB	1,629	**96.6%**	94.4%	220	**96.6%**	94.4%	220
Fredericton, NB	1,422	**96.4%**	94.9%	150	**96.4%**	94.9%	150
Saint John, NB	1,202	**96.2%**	93.2%	300	**96.2%**	93.2%	300
St. John's, NL	915	**94.1%**	94.3%	(20)	**94.1%**	94.3%	(20)
Charlottetown, PE	906	**99.6%**	99.4%	20	**99.6%**	99.4%	20
Ontario	2,312	**97.2%**	95.6%	160	**97.1%**	96.0%	110
Alberta	669	**87.3%**	87.2%	10	**89.6%**	89.3%	30
Other Atlantic locations	469	**93.1%**	97.0%	(390)	**93.1%**	97.0%	(390)
Total Apartments (weighted average)	15,093	**96.5%**	95.4%	110	**96.8%**	95.5%	130

(1) Occupancy as a percentage of residential rent is calculated as vacancy (in dollars) divided by gross potential residential rent (in dollars) for the period.

For discussion on changes in occupancy levels during the quarter, refer to page 16 of this MD&A under section "Apartment Same Property NOI by Region".

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

Historic Same Property Apartment Occupancy & Rental Incentives (as a % of Residential Revenue)



Average Rent Analysis by Core Market

As at March 31,		Average Rent			Same Property Average Rent		
	# of Units	**2018**	2017	% Change	**2018**	2017	% Change
Halifax, NS	5,569	**$1,047**	$993	5.4%	**$1,015**	$993	2.2%
Moncton, NB	1,629	**$846**	$824	2.7%	**$846**	$824	2.7%
Fredericton, NB	1,422	**$940**	$918	2.4%	**$940**	$918	2.4%
Saint John, NB	1,202	**$780**	$758	2.9%	**$780**	$758	2.9%
St. John's, NL	915	**$975**	$966	0.9%	**$975**	$966	0.9%
Charlottetown, PE	906	**$935**	$914	2.3%	**$935**	$914	2.3%
Ontario	2,312	**$1,367**	$1,339	2.1%	**$1,168**	$1,139	2.5%
Alberta	669	**$1,348**	$1,144	17.8%	**$1,128**	$1,153	(2.2)%
Other Atlantic	469	**$879**	$861	2.1%	**$879**	$861	2.1%
Total Apartments (weighted average)	15,093	**$1,026**	$983	4.4%	**$972**	$951	2.2%

Same Property Rental Increases - Tenant Renewal versus Unit Turn

Killam turns approximately 35% of its units each year. Upon turn, Killam will typically generate rental increases by raising rates to market and by investing capital to upgrade units. The following chart details the average rental increases realized upon turns and lease renewals on a same property basis:

	Same Property Rental Increases		
For the three months ended March 31,	**2018**	2017	Change (bps)
Upon lease renewal	**1.5%**	1.2%	30
Upon unit turn	**5.0%**	2.0%	300
Weighted average rental increase	**2.2%**	1.5%	70

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

Apartment Expenses

Total operating expenses for the three months ended March 31, 2018, were $18.9 million, a 9.5% increase over Q1-2017, due primarily to incremental costs associated with recent acquisitions, increased fuel expense driven by higher gas pricing in New Brunswick and colder January temperatures than 2017 in all regions. Despite the increase in fuel costs, Killam increased its apartment operating margin by 120 bps quarter over quarter as revenues associated with additions to the portfolio and higher occupancy more than offset the incremental costs of operating the portfolio.

Total same property operating expenses for the three months ended March 31, 2018, were 3.3% higher than the three months ended March 31, 2017. The increase was driven by higher utility and fuel costs resulting from higher consumption and variable pricing during the winter heating season. Property taxes increased 1.5% due to increased assessments, however Killam continues to appeal tax assessment increases whenever possible. Killam realized savings of 1.2% in general operating expenses due to lower insurance premiums and operating cost management initiatives. In total, the same property margin improved by 40 bps during the three months ended March 31, 2018.

Apartment Utility and Fuel Expenses - Same Property

For the three months ended March 31,	**2018**	2017	% Change
Natural gas	**$2,504**	$1,973	26.9%
Electricity	**2,166**	2,187	(1.0)%
Water	**1,099**	1,117	(1.6)%
Oil & propane	**508**	447	13.6%
Other	**7**	7	—%
Total utility and fuel expenses	**$6,284**	$5,731	9.6%

Killam’s apartments are heated with natural gas (57%), electricity (33%), oil (7%), steam (2%) and propane (1%). Electricity costs relate primarily to common areas as unit electricity costs are typically paid by tenants, reducing Killam’s exposure to the majority of the 4,900 units heated with electricity. Fuel costs associated with central natural gas or oil-fired heating plants are paid by Killam.

Utility and fuel expenses accounted for approximately 36% of Killam’s total apartment same property operating expenses for the three months ended March 31, 2018. Total same property utility and fuel expenses were 9.6% more than the three months ended March 31, 2017.

Same property natural gas expense for Q1-2018 were 26.9% higher than Q1-2017. The increased costs compared to the prior quarter were primarily attributable to New Brunswick, where gas expense was up 29.7% from Q1-2017 due to a spike in January's variable price of $23.20 per Gj compared to $8.68 per Gj Q1-2017. Natural gas pricing in Nova Scotia was 10.3% higher in the quarter compared to Q1-2017, while Ontario's pricing was 8.8% lower.

Coupled with January's peak pricing, it was approximately 20% colder in both Ontario and in the majority of Killam's Atlantic Canadian locations in January, increasing consumption. A warmer February and March in Atlantic Canada partially offset this increased consumption, along with upgrades to boilers installed in the past twelve months. Killam's Ontario markets continued to see a colder winter in February and March 2018 than 2017 and realized consumption increases of 10-15%.

Electricity costs for the three months ended March 31, 2018, were 1.0% lower than March 31, 2017, primarily due to lower rates in Ontario and savings from LED lighting retrofits at several properties over the past twelve months.

Despite rate increases, water expense decreased by 1.6% for the three months ended March 31, 2018, compared to the three months ended March 31, 2017. Killam has installed an additional 1,300 low-flow toilets over the past twelve months. In total, over 8,300 low-flow toilets have been installed since 2015, saving an estimated 400 million litres of water annually and generating approximately $1.0 million of water cost savings.

Heating oil and propane costs increased by 13.6% in Q1-2018 compared to Q1-2017 due to a 16% increase in pricing as a result of a rise in global oil prices.

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

Apartment Same Property NOI by Region

For the three months ended March 31,

	Property Revenue			Property Expenses			Net Operating Income		
	2018	2017	% Change	**2018**	2017	% Change	**2018**	2017	% Change
Halifax	**$15,908**	$15,279	4.1%	**($6,376)**	($6,063)	5.2%	**$9,532**	$9,216	3.4%
Ontario	**6,805**	6,546	4.0%	**(2,620)**	(2,516)	4.1%	**4,185**	4,030	3.8%
Moncton	**4,352**	4,071	6.9%	**(2,226)**	(2,245)	(0.8)%	**2,126**	1,826	16.4%
Fredericton	**4,020**	3,831	4.9%	**(1,911)**	(1,846)	3.5%	**2,109**	1,985	6.2%
Saint John	**2,859**	2,650	7.9%	**(1,737)**	(1,603)	8.4%	**1,122**	1,047	7.2%
St. John's	**2,565**	2,557	0.3%	**(801)**	(854)	(6.2)%	**1,764**	1,703	3.6%
Charlottetown	**2,552**	2,487	2.6%	**(1,186)**	(1,142)	3.9%	**1,366**	1,345	1.6%
Alberta	**590**	581	1.5%	**(189)**	(210)	(10.0)%	**401**	371	8.1%
Other Atlantic locations	**1,254**	1,272	(1.4)%	**(535)**	(547)	(2.2)%	**719**	725	(0.8)%
	$40,905	$39,274	4.2%	**($17,581)**	($17,026)	3.3%	**$23,324**	$22,248	4.8%

Halifax

Halifax is Killam’s largest rental market and generated same property apartment revenue growth of 4.1% for the three months ended March 31, 2018, compared to the prior quarter, due to an 150 bps increase in average occupancy and a 2.2% increase in average rent, despite increase supply in the region.

Total operating expenses for the three months ended March 31, 2018, were 5.2% higher than Q1-2017. The increased expenses were driven by higher natural gas prices and consumption, higher contract service costs and increased property tax expenses. These increased costs were partially offset by lower insurance premiums. The net impact was a 3.4% increase in NOI quarter-over-quarter.

Ontario

Revenue increased by 4.0% over the three months ended March 31, 2017, due to a 2.5% increase in average rental rates and a 110 bps increase in occupancy. The occupancy gains in this market are largely a result of the lease-up and stabilization of the Kanata Lakes portfolio. The average occupancy in Q1-2018 for this property was 97.6%, a 880 bps improvement from 88.8% in Q1-2017.

Total operating expenses for the quarter were 4.1% higher than the same period in 2017 due primarily to higher contract service costs and increased property tax assessments. In aggregate, same property NOI was 3.8% higher than the three months ended March 31, 2017.

New Brunswick

The NB portfolio achieved an impressive 10.3% NOI growth over Q1-2017. This growth was driven by a same property revenue increase of 6.4%, due to occupancy gains of 220 bps and rental rate growth in Saint John, Moncton, and Fredericton of 2.9%, 2.7% and 2.4% respectively.

Total operating expenses for the quarter, were 3.2% higher than the same period in 2017 primarily due to higher natural gas costs (see 'Apartment Utility and Fuel Expenses - Same Property' section for more details). This increase was partially offset by reduced water consumption, and lower insurance premiums.

Newfoundland and Labrador

Same property revenue increased 0.3% for the three months ended March 31, 2018, as compared to Q1-2017. While rental rates have increased by 0.9%, occupancy is 20 bps lower due to softness in the economy driven by reduced activity in the offshore oil sector.

Total operating expenses for the three months ended March 31, 2018, were 6.2% lower than Q1-2017 primarily due to net savings from internalizing property management for this portfolio effective April 1, 2017, resulting in NOI growth of 3.6%.

Prince Edward Island

Charlottetown achieved 2.6% revenue growth for the three months ended March 31, 2018, compared to the same period in 2017, due to strong rental rate growth and close to maximum occupancy of 99.6%, a 20 bps increase over Q1-2017. Total operating expenses for the three months ended March 31, 2018 were 3.9% higher due primarily to increased heating oil expenses in Q1-2018 as a result of higher pricing. Combined Charlottetown achieved 1.6% NOI growth in Q1-2018 compared to Q1-2017.

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

Alberta
Killam has a 50% interest in a 307-unit building in downtown Calgary that accounted for 3% of apartment same property NOI. This building achieved a 1.5% increase in revenue compared to Q1-2017. Despite a decrease of 2.2% in rental rates from Q1-2017, Killam has seen a 30 bps improvement in occupancy, to 89.6% in Q1-2018, and increased commercial revenue, as approximately 75% of the ancillary commercial space in this building is leased and generating rental income. This trend is expected to continue with Q2 occupancy forecasted to increase to 95%.

Same property operating expenses for the three months ended March 31, 2018, were 10.0% lower than Q1-2017, due primarily to lower property taxes expense driving an 8.1% increase in NOI quarter-over-quarter.

MHC Results

For the three months ended March 31,

	Total Portfolio			Same Property			Non-Same Property		
	2018	2017	% Change	**2018**	2017	% Change	**2018**	2017	% Change
Property revenue	**$2,984**	$2,918	2.3%	**$2,979**	$2,918	2.1%	**$5**	$—	N/A
Property operating expenses									
General operating expenses	**837**	813	3.0%	**837**	808	3.6%	**—**	5	(100.0)%
Utility and fuel expenses	**349**	379	(7.9)%	**349**	378	(7.7)%	**—**	1	(100.0)%
Property taxes	**160**	157	1.9%	**160**	157	1.9%	**—**	—	— %
Total operating expenses	**$1,346**	$1,349	(0.2)%	**$1,346**	$1,343	0.2%	**$—**	$6	(100.0)%
NOI	**$1,638**	$1,569	4.4%	**$1,633**	$1,575	3.7%	**$5**	($6)	(183.3)%
Operating margin %	**54.9%**	53.8%	110 bps	**54.8%**	54.0%	80 bps	**—%**	—%	—

The MHC business generated 5.8% of Killam's NOI for the three months ended March 31, 2018. The MHC portfolio generates its highest revenues and NOI during the second and third quarters of the year due to the contribution from its seven seasonal communities that generate approximately 60% of their NOI between July and September.

MHC same property revenue increased 2.1% in Q1-2018, compared to Q1-2017, as rents rose by 2.6%, to $249 per site from $243 per site in Q1-2017. Occupancy of 97.8% for the three months ended March 31, 2018, was 20 bps higher than 97.6% for the comparable period in 2017.

Total same property expenses were comparable quarter-over-quarter. The slight increase of 20 bps for Q1-2018, as compared to Q1-2017, was primarily due to operating cost inflation and increased property tax assessments, offset by lower water consumption and reduced electricity costs in Ontario resulting from rate reductions. Overall, the MHC portfolio generated same property NOI growth of 3.7% quarter-over-quarter.

Commercial Results

Killam's commercial property portfolio contributed $0.4 million, or 1.3%, of Killam's total NOI for the three months ended March 31, 2018. Occupancy was 95.4% during the quarter, compared to 98.8% for the three months ended March 31, 2017, due to the loss of a tenant at a property that is slated for redevelopment.

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

PART V

Other Income and Expenses

Other Income

For the three months ended March 31,			
	2018	2017	% Change
	$295	$185	59.5%

Other income includes property management fees and interest on bank balances. The 59.5% increase quarter over quarter is primarily due to higher property management fees from an additional property under management which was acquired in March 2017 and higher interest income on bank balances.

Financing Costs

For the three months ended March 31,	**2018**	2017	% Change
Mortgage, loan and construction loan interest	**$8,702**	$7,903	10.1%
Interest on exchangeable units	**604**	586	3.1%
Amortization of fair value adjustments on assumed debt	**11**	(67)	116.4%
Amortization of loss on interest rate hedge	**15**	15	—%
Unrealized (gain) loss on derivative liability	**(32)**	26	223.1 %
Convertible debenture interest	**—**	634	(100.0)%
Capitalized interest	**(832)**	(329)	(152.9)%
	$8,468	$8,768	(3.4)%

Total financing costs were $0.3 million, or 3.4%, lower for the three months ended March 31, 2018, as compared to the same period of 2017.

Mortgage and loan interest expense was $8.7 million for the three months ended March 31, 2018, an increase of $0.8 million, or 10.1%, compared to the same period of 2017. Killam's mortgage and loan payable balance increased by $117.8 million over the past twelve months as Killam secured financing for various acquisitions and developments. The average interest rate on refinancings in the three months ended March 31, 2018 was 3.21%, 34 bps lower than the average interest rate on expiring debt.

There was no interest expense associated with the convertible debentures in Q1-2018, compared to $0.6 million in Q1-2017, following the redemption of $46 million of convertible debentures in April 2017.

Capitalized interest increased $0.5 million for the three months ended March 31, 2018, compared to the three months ended March 31, 2017. Capitalized interest will vary depending on the number of development projects underway and their stages in the development cycle. Interest costs associated with development projects are capitalized to the respective development property until substantial completion.

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

Depreciation Expense

For the three months ended March 31,

	2018	2017	% Change
	$226	$163	38.7%

Depreciation expense relates to Killam's head office building, vehicles, heavy equipment and office furniture, fixtures and computer equipment. Although the vehicles and equipment are used at various properties, they are not considered investment properties and are depreciated for accounting purposes. The increase in depreciation expense for the three months ended March 31, 2018, compared to the same period in 2017, was primarily due to costs associated with upgrades to vehicles, computer equipment and Killam's head office building.

Amortization of Deferred Financing Costs

For the three months ended March 31,

	2018	2017	% Change
	$487	$404	20.5%

Deferred financing costs include mortgage assumption fees, application fees and legal costs related to financings and refinancings. These costs are amortized over the term of the respective mortgage. CMHC insurance fees are amortized over the amortization period of the mortgage.

Deferred financing amortization costs increased 20.5% for the three months ended March 31, 2018, following $126 million of mortgage refinancings, as well as financing costs associated with property acquisitions over the past 12 months.

Administration Expenses

For the three months ended March 31,

	2018	2017	% Change
Administration (including REIT conversion costs)	**$3,337**	$2,920	14.3%
REIT conversion costs	**—**	(153)	(100.0)%
Administration (excluding REIT conversion costs)	**$3,337**	$2,767	20.6%
As a percentage of total revenues	**6.7%**	6.2%	50 bps

Administration expenses include expenses that are not specific to individual properties, including TSX related costs, management and head office salaries and benefits, marketing costs, office equipment leases, professional fees and other head office and regional office expenses.

During the three months ended March 31, 2018, total administration expenses increased by $0.6 million, or 20.6%, compared to the three months ended March 31, 2017, due to increased expense from stronger REIT performance and introducing a new executive compensation program that better ties pay to performance.

Management is targeting annualized administrative costs of approximately 6.5% of total revenues for 2018.

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

Fair Value Adjustments

For the three months ended March 31,	2018	2017	% Change
Investment properties	**$60,714**	$10,545	475.8%
Convertible debentures	**—**	469	(100.0)%
Deferred unit-based compensation	**238**	(287)	182.9%
Exchangeable units	**1,314**	(2,861)	145.9%
	$62,266	$7,866	691.6%

Killam recognized $60.7 million in fair value gains on investment properties for the three months ended March 31, 2018, compared to $10.5 million in fair value gains for the three months ended March 31, 2017. The fair value gains recognized during 2018 were primarily due to NOI growth and cap-rate compression as a result of the strong operating performance in Killam's core markets.

Killam redeemed its remaining outstanding convertible debentures on April 13, 2017.

RTUs governed by Killam's RTU Plan are awarded to certain members of management as a portion of their compensation. Non-executive members of the Board of Trustees have the right to receive a percentage of their annual retainer in the form of RTUs. This aligns the interests of Management and the Trustees with those of unitholders. For the three months ended March 31, 2018, there was an unrealized gain of $0.2 million, versus a $0.3 million loss in Q1-2017, due to a decline in the market price of the underlying Killam trust units.

Distributions paid on exchangeable units are consistent with distributions paid to Killam's unitholders. The exchangeable units are redeemable on a one-for-one basis into trust units at the option of the holder. The fair value of the exchangeable units is based on the trading price of Killam's trust units. For the three months ended March 31, 2018, there was an unrealized gain on remeasurement of $1.3 million, compared to a $2.9 million loss in Q1-2017, due to a decline in the market price of Killam's trust units.

Deferred Tax Expense

Killam converted to a real estate investment trust effective January 1, 2016, and as such qualifies as a REIT pursuant to the *Income Tax (Canada)* (the "Tax Act"). The Tax Act contains legislation affecting the tax treatment of publicly traded trusts (the "SIFT Legislation") and the criteria for qualifying for the real estate investment trust exemption (the "REIT Exemption"), which would exempt Killam from income tax under the SIFT Legislation. Killam is classified as a flow-through vehicle; therefore, only deferred taxes of Killam's corporate subsidiaries are recorded. If Killam fails to distribute the required amount of income to unitholders or if Killam fails to qualify as a REIT under the Tax Act, substantial adverse tax consequences may occur. Management operates Killam in a manner that enables Killam to continually qualify as a REIT and expects to distribute all of its taxable income to unitholders, and therefore is entitled to deduct such distributions for income tax purposes.

PART VI

Per Unit Calculations

As an open-ended mutual fund trust, Killam unitholders may redeem their trust units, subject to certain restrictions. As a result, Killam's trust units are classified as financial liabilities under IFRS. Consequently, all per unit calculations are considered non-IFRS measures. The following table reconciles the number of units used in the calculation of non-IFRS financial measures on a per unit basis:

	Weighted Average Number of Units (000s)			Outstanding Number of Units (000s)
For the three months ended March 31,	**2018**	2017	% Change	**2018**
Trust units	**80,698**	69,201	16.6%	**80,874**
Exchangeable units	**3,862**	3,866	(0.1)%	**3,836**
Basic number of units	**84,560**	73,067	15.7%	**84,710**
Plus:				
Units under RTU plan	**230**	152	51.3%	—
Diluted number of units	**84,790**	73,219	15.8%	**84,710**

Funds from Operations

FFO are recognized as an industry-wide standard measure of real estate entities' operating performance, and Management considers FFO per unit to be a key measure of operating performance. REALpac, Canada's senior national industry association for owners and managers of investment real estate, has recommended guidelines for a standard industry 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 specific type of 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. FFO for the three month periods ended March 31, 2018 and 2017 are calculated as follows:

For the three months ended March 31,	**2018**	2017	% Change
Net income	**$68,914**	$17,650	290.4%
Fair value adjustments	**(62,266)**	(7,866)	691.6%
Loss on disposition	**183**	—	N/A
Non-controlling interest	**(7)**	(5)	40.0%
Deferred tax expense	**9,369**	3,088	203.4 %
Interest expense related to exchangeable units	**604**	586	3.1%
Unrealized (gain) loss on derivative liability	**(32)**	26	(223.1%)
Depreciation on owner-occupied building	**42**	34	23.5%
REIT conversion costs	**—**	153	(100.0)%
FFO	**$16,807**	$13,666	23.0%
FFO unit - basic	**$0.20**	$0.19	5.3%
FFO unit - diluted	**$0.20**	$0.19	5.3%
Weighted average number of units - basic (000s)	**84,560**	73,067	15.7%
Weighted average number of units - diluted (000s)[1]	**84,790**	73,219	15.8%

(1) The calculation of weighted average number of units outstanding for diluted FFO excludes the convertible debentures for the three months ended March 31, 2017 as they are anti-dilutive. Killam redeemed the remaining outstanding convertible debentures on April 13, 2017.

Killam earned FFO of $16.8 million, or $0.20 per unit (diluted), for the three months ended March 31, 2018, compared to $13.7 million or $0.19 per unit (diluted), for the three months ended March 31, 2017. The 5.3% increase in FFO per unit is attributable to contributions from acquisitions and completed developments ($1.2 million), same property NOI growth ($1.1 million), interest expense savings on the redemption of the convertible debentures ($0.6 million), interest expense savings on refinancings and increased capitalized interest ($0.5 million), and increased property management fees ($0.2 million). These increases were partially offset by higher administration costs ($0.6 million).

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

Adjusted Funds from Operations

AFFO is a non-IFRS supplemental measure used by real estate analysts and investors to assess FFO after taking into consideration capital spent to maintain the earning capacity of a portfolio. AFFO may not be comparable to similar measures presented by other real estate trusts or companies. Management believes that significant judgment is required to determine the annual capital expenditures that relate to maintaining earning capacity of an asset compared to the capital expenditures that will lead to higher rents or more efficient operations.

Details of Killam's total actual capital expenditures by category are included in the Capital Improvements section on page 28, and Killam's sources of funding are disclosed in the Liquidity and Capital Resources section on page 35 of this MD&A.

Calculating Maintenance Capex Reserve for AFFO
In February 2017, REALpac issued "White Paper on Funds From Operations & Adjusted Funds From Operations for IFRS", updating their guidance on maintenance capital expenditures ("maintenance capex") to be used in the calculation of AFFO and ACFO. Killam has elected to adopt a maintenance reserve based on a three-year historical average of the capital spent to maintain and sustain Killam's properties, an approach endorsed by REALPac. The following table details Killam's capital investments attributable to value-enhancing and maintenance projects for each of the past three years:

Maintenance Capex Reserve - Apartments

	2017	2016	2015
Total Capital Investments	$26,959	$30,139	$28,511
Value-enhancing Capital Spend			
Building	(5,365)	(6,571)	(6,036)
Suite upgrades	(9,753)	(9,597)	(9,162)
Equipment & other	(749)	(919)	(1,133)
	(15,867)	(17,087)	(16,331)
Maintenance Capex	**$11,092**	**$13,052**	**$12,180**
Maintenance Capex - % of Total Capital	41%	43%	43%
Number of units [(1)]	13,712	13,617	13,279
Maintenance Capex per unit	$809	$959	$917
Maintenance Capex - Three-year average		**$895**	

(1) Weighted average number of units outstanding during the year, adjusted for Killam's 50% ownership in jointly held properties.

Value-enhancing capital spend includes building enhancements, suite upgrades and equipment purchases supporting NOI growth. Value-enhancing capital classified as building improvements includes energy efficiency projects and an allocation to represent building upgrades, including window replacements, and common area and amenity space upgrades. Suite upgrades represent a capital investment on suite turns with an expected minimum 10% return on investment.

Maintenance capex includes all structural work and suite renovation spend required to maintain current revenues. For the first three quarters of 2017, Management used a maintenance capex reserve of $970 per unit based on the historical three-year average spend (2014 - 2016) in the calculation of AFFO. For the twelve months ended December 31, 2017, Killam updated its maintenance capex reserve to reflect the actual capital spend for the most recent three years (2015 - 2017), which is equivalent to $895 per unit. Based on this calculation, Management has selected $900 per unit for its maintenance capex reserve for 2017, which is 7.2% lower than the 2016 reserve of $970 per unit. Management will maintain this reserve in its calculation of AFFO throughout 2018 until the three-year average is updated at year-end with actual results.

The allocations above were the result of a detailed review of Killam's historical capital spend. Significant judgment was required to allocate capital between value-enhancing and maintenance activities. Management believes these allocations are reflective of Killam's capital program, which is approximately 42% of annual capital spend attributable to maintaining and sustaining properties.

Maintenance Capex Reserve - MHCs

Value-enhancing capital spend includes site expansions, land improvements and NOI-enhancing water and sewer upgrades. Maintenance capex includes capital spend related to roads and paving, as well as the majority of water and sewer capital spent to maintain the infrastructure in each community. On a per-site basis, maintenance capex has ranged from $221 to $377 over the past three years. Management selected $300 per MHC site for its maintenance capex reserve for 2017, an increase from the 2016 reserve of $225 per site.

The weighted average number of rental units owned during the quarter was used to determine the capital adjustment applied to FFO to calculate AFFO:

For the three months ended March 31,

	2018	2017	% Change
FFO	**$16,807**	$13,666	23.0%
Maintenance Capital Expenditures			
Apartments	**(3,240)**	(3,325)	(2.6)%
MHCs	**(387)**	(290)	33.4%
AFFO	**$13,180**	$10,051	31.1%
AFFO per unit - basic	**$0.16**	$0.14	14.3%
AFFO per unit - diluted	**$0.16**	$0.14	14.3%
AFFO payout ratio - diluted	**101%**	111%	(1,000) bps
AFFO payout ratio - rolling 12 months(1)	**85%**	90%	(500) bps
Weighted average number of units - basic (000s)	**84,560**	73,067	15.7%
Weighted average number of units - diluted (000s)	**84,790**	73,219	15.8%

(1) Based on Killam's annual distribution of $0.6217 for the 12-month period ended March 31, 2018, and $0.6017 for the 12-month period ended March 31, 2017. The calculation uses a maintenance cap ex reserve of $900 for the rolling 12 months ending March 31, 2018 and an average of $952 for the 12 months ending March 31, 2017.

The payout ratio of 101% in Q1-2018, compared to the rolling 12-month payout ratio of 85%, corresponds with the seasonality of Killam's business. Killam's first quarter typically has the highest payout ratio due to the lower operating margin in the period attributable to higher heating costs in the winter months. In addition, the MHC portfolio generates its highest revenues and NOI during the second and third quarters of the year due to the contribution from its seven seasonal communities that generate approximately 60% of their NOI between July and September each year.

The improvement in the AFFO payout ratio is attributable to a 31.1% increase in AFFO driven by contributions from same property NOI growth, acquisitions and developments and interest expense savings partially offset by the impact of the increase in the weighted average number of units outstanding.

Killam’s Board of Trustees (the "Board") evaluates the Trust’s payout ratio quarterly. The Board has not established an AFFO payout target.

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

Adjusted Cash Flow from Operations

ACFO was introduced in February 2017 in REALpac's "White Paper on Adjusted Cashflow from Operations (ACFO) for IFRS" as a sustainable, economic cash flow metric. Upon review of REALpac's white paper, Management has incorporated ACFO as a useful measure to evaluate Killam's ability to fund distributions to unitholders. ACFO should not be construed as an alternative to cash flows provided by or used in operating activities determined in accordance with IFRS.

Killam calculates ACFO in accordance with the REALpac definition but may differ from other REIT's methods and, accordingly, may not be comparable to ACFO reported by other issuers. In the calculation of ACFO Killam makes an adjustment for certain working capital items that are not considered indicative of sustainable economic cash flow available for distribution. Examples include working capital changes relating to development projects, sales and other indirect taxes payable or receivable from applicable governments, and changes in the security deposit liability. ACFO continues to include the impact of fluctuations from normal operating working capital, such as changes to rent receivable from tenants and accounts payable and accrued liabilities.

A reconciliation from cash generated from operating activities (refer to the consolidated statements of cash flows for the three months ended March 31, 2018, and 2017) to ACFO is as follows:

For the three months ended March 31,

	2018	2017	% Change
Cash generated from operating activities	**$18,768**	$16,010	17.2%
Adjustments:			
Changes in non-cash working capital not indicative of sustainable cash flows	**(656)**	(174)	277.0%
Maintenance capital expenditures			
Apartments	**(3,240)**	(3,325)	(2.6%)
MHCs	**(387)**	(290)	33.4%
Amortization of deferred financing costs	**(487)**	(404)	20.5%
Non-controlling interest	**(7)**	(5)	40.0 %
ACFO	**$13,991**	$11,812	18.4%
Distributions declared[1]	**13,429**	11,337	18.5%
Excess of ACFO over cash distributions	**$562**	$475	18.3%
ACFO Payout Ratio - diluted [2]	**96%**	96%	—

(1) Includes distributions on trust units, exchangeable units and restricted trust units, as summarized on page 34.
(2) Based on Killam's monthly distribution of $0.05333 per unit for March 2018, $0.05167 per unit from March 2017 to February 2018 and $0.05 per unit from January 2017 to February 2017.

Killam's ACFO payout ratio of 96% for the three months ended March 31, 2018, is consistent with the payout ratio for the three months ended March 31, 2017. Similar to the AFFO payout ratio, Killam's first quarter typically has the highest payout ratio due to the lower operating margin in the period attributable to higher heating costs in the winter months and the fact the MHC portfolio generates its highest revenues and NOI during the second and third quarters of the year.

Cash Flows from Operating Activities and Distributions Declared

As required by National Policy 41-201, "Income Trusts and Other Indirect Offerings", the following table outlines the differences between cash flows generated from operating activities and total distributions declared, as well as the differences between net income and total distributions, in accordance with the guidelines.

For the three months ended March 31,	**Three months ended March 31,**	
	2018	2017
Net income	**$68,914**	$17,650
Cash flow from operating activities	**$18,768**	$16,010
Total distributions declared	**$13,429**	$11,337
Excess of net income over total distributions declared	**$55,485**	$6,313
Excess of net income over net distributions paid	**$58,917**	$8,797
Excess of cash flow from operating activities over total distributions declared	**$5,339**	$4,673

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

PART VII

Investment Properties

As at	**March 31, 2018**	December 31, 2017	% Change
Investment properties	**$2,347,496**	$2,172,222	8.1%
Investment properties under construction ("IPUC")	**139,234**	107,541	29.5%
	$2,486,730	$2,279,763	9.1%

Continuity of Investment Properties

For the three months ended	**2018**	2017	% Change
Balance, beginning of period	**$2,172,222**	$1,887,302	15.1%
Acquisition of properties	**109,688**	64,129	71.0%
Transfer to assets held for sale	**—**	(16,592)	(100.0)%
Capital expenditures	**7,428**	5,094	45.8%
Fair value adjustment - Apartments	**55,950**	10,545	430.6%
Fair value adjustment - MHCs	**179**	—	N/A
Fair value adjustment - Other	**2,029**	—	N/A
Balance, end of period	**$2,347,496**	$1,950,478	20.4%

The key valuation assumption in the determination of fair market value, using the direct capitalization method, is the cap-rate. A summary of the high, low and weighted average cap-rates used in the valuation models as at March 31, 2018 and 2017, and December 31, 2017, is as follows:

Capitalization Rates

	March 31, 2018			December 31, 2017			March 31, 2017		
	Low	**High**	**Effective Weighted Average**	Low	High	Effective Weighted Average	Low	High	Effective Weighted Average
Apartments	**3.75%**	**8.00%**	**5.25%**	3.75%	8.00%	5.37%	4.12%	8.00%	5.43%
MHCs	**5.75%**	**8.00%**	**6.82%**	5.75%	8.00%	6.84%	5.75%	8.00%	6.80%

2018 Acquisitions - Investment Properties

					Purchase Price (1)	
Property	**Location**	**Acquisition Date**	**Ownership interest**	**Property Type**	**Income-producing Properties**	**Properties Under Construction**
The Killick	Halifax, NS	28-Feb-18	100%	Apartment	$33,000	—
4th Avenue Land	Calgary, AB	29-Feb-18	40%	Development land	—	7,200
Weber Scott Pearl	Kitchener, ON	12-Mar-18	100%	Development land	1,200	4,800
Westmount Place	Waterloo, ON	29-Mar-18	100%	Retail/ office complex and development land	72,900	4,900
Total Acquisitions					$107,100	$16,900

(1) Purchase price does not include transaction costs.

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

Investment Properties Under Construction

For the three months ended March 31,	2018	2017	% Change
Balance, beginning of period	**$107,541**	$55,507	93.7%
Capital expenditures	**12,608**	5,905	113.5%
Interest capitalized	**832**	329	152.9%
Acquisitions	**17,120**	—	N/A
Dispositions	**(1,460)**	—	N/A
Fair value adjustment	**2,593**	—	N/A
Balance, end of period	**$139,234**	$61,741	125.5%

Saginaw Park
In April 2018, Killam's Saginaw Park, a 93-unit, seven-story development in Cambridge, ON reached substantial completion. This project was completed on time and on budget. The project budget was $25.5 million ($274,000 per unit), resulting in an all-cash yield of approximately 5.4%, approximately a 140 bps premium over the market cap-rate of a similar quality asset. The building is currently 65% leased and is expected to be fully leased within the next six months.

The Alexander
This 240-unit project located in downtown Halifax is scheduled to be completed in September 2018. The estimated cost of development is approximately $79.5 million, resulting in an expected all-cash yield of approximately 4.75% to 5.0%. Management's estimated total cost of completion has increased from the original budget due primarily to building code enhancements related to exterior cladding, inflation, and project delays.

As at March 31, 2018, the project is approximately 80% complete with approximately $60.5 million in development costs incurred to date. In October 2017, Killam completed the podium level of the development and transferred $9.4 million from IPUC to investment properties. As Killam has control over the development for accounting purposes, 100% of the investment property and development costs are included in IPUC. Following completion of construction and the achievement of certain leasing conditions, Killam has a commitment in place to purchase the remaining 50% interest in the development.

Gloucester City Centre
In 2017 Killam and RioCan REIT ("RioCan") formed a joint venture to develop a residential rental community at Gloucester City Centre in Ottawa, with Killam acquiring a 50% interest in a 7.1 acre development site for $8.0 million ($16.0 million at 100%). Killam and RioCan each own a 50% interest in the land and participate on the same basis in this development. RioCan acts as the development manager, and upon completion, Killam will act as the residential property manager. The site has zoning approval for four residential towers with an aggregate total of 840 units.

The first phase of the development, Frontier, a 23-storey tower containing 227 units, is currently in progress. The total cost to develop Phase I is budgeted at $73 million ($36.5 million for Killam's 50% interest). As at March 31, 2018, Killam has invested $18.4 million in the first phase of the project which is scheduled to be completed in the first half of 2019. Construction of Phase II containing 195 units, is expected to commence in early 2019.

Silver Spear II

In April 2018, Killam received final approval from the City of Mississauga to proceed with its Silver Spear II development on land adjacent its existing 199-unit building. Killam will have a 50% ownership in this 128-unit development and expects to break ground in Q4-2018. The budget for this project is $39.2 million (100%) or $306,000 per door with an anticipated all cash yield of 5.4%, approximately a 165 bps premium over the market cap-rate for a similar quality asset.

With the completion of Saginaw Park and two additional developments now underway, Killam forecasts adding approximately $140 million of new developments to its portfolio during the next two years.

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

Killam has a robust $700 million development pipeline. Currently, Killam has the following land available for future development:

Property	Location	Development Potential (# of Units)	Status
Weber Scott Pearl	Kitchener, ON	163	In design
Gloucester Phase 2 - 4 (1)	Ottawa, ON	283	In design
Grid 5 vacant land (2)	Calgary, AB	388	In design and approval process
Westmount Place	Waterloo, ON	560	In design
The Governor	Halifax, NS	48	In design and approval process
Carlton Terrace	Halifax, NS	104	In design and approval process
Kanata Lakes (1)	Ottawa, ON	40	In design and approval process
Cameron Heights	Edmonton, AB	190	In design and approval process
Medical Arts (Spring Garden)	Halifax, NS	200	Future development
Carlton Houses	Halifax, NS	80	Future development
Topsail Road	St. John's, NL	225	Future development
Block 4	St. John's, NL	80	Future development
Total Development Opportunities		**2,361**	

(1) Represents Killam's 50% interest in the potential development units.

(2) Represents Killam's 40% interest in the potential development units.

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

Capital Improvements

Capital improvements are a combination of maintenance capex and value-enhancing upgrades. Maintenance capex investments are not expected to increase the NOI or efficiency of a building; however, these expenditures will extend the life of the asset. Examples of maintenance capex include roof, window and building envelope repairs, and are in addition to repairs and maintenance costs that are expensed to NOI. Value-enhancing capital investments are expected to result in higher rents or lower operating costs. These investments include unit and common area upgrades and energy efficiency projects. Killam's AFFO discussion provides further disclosure on the allocation between maintenance capex and value-enhancing capex investments.

During the three months ended March 31, 2018, Killam invested $7.4 million, compared to $5.1 million for the three months ended March 31, 2017. Killam expects to invest between $40 and $45 million during 2018 in capital improvements.

For the three months ended March 31,	**2018**	2017	% Change
Apartments	**$6,723**	$4,783	40.6%
MHCs	**303**	199	52.3%
Commercial	**402**	112	258.9%
	$7,428	$5,094	45.8%

Apartments - Capital Spend

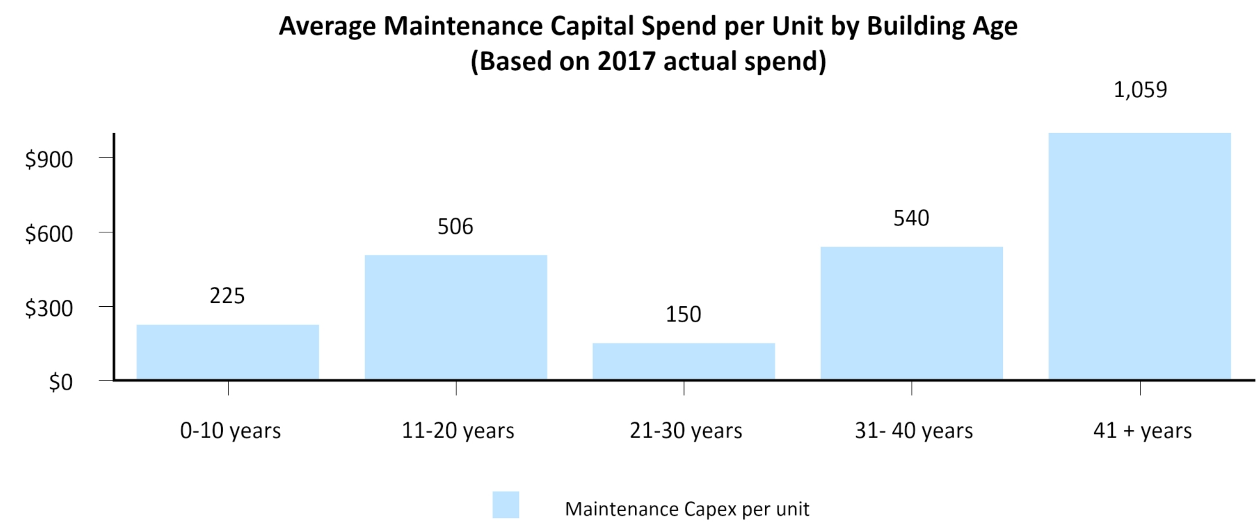
A summary of the capital spend on the apartment segment is included below:

For the three months ended March 31,	**2018**	2017	% Change
Building improvements	**$3,438**	$1,387	147.9%
Suite renovations	**2,251**	2,358	(4.5)%
Appliances	**288**	380	(24.2)%
Boilers and heating equipment	**515**	524	(1.7)%
Other	**231**	134	72.4%
Total capital spend	**$6,723**	$4,783	40.6%
Average number of units outstanding	**15,034**	14,444	4.1%
Capital spend - $ per unit	**$447**	$331	35.0 %

Killam invested $447 per unit for the three months ended March 31, 2018, compared to $331 per unit for the same period of 2017.

Killam's focus on development and acquisition of newer properties translates into a lower capital spend per unit than many other apartment owners in Canada. Thirty-one percent of Killam's apartments, as a percentage of 2018 forecasted NOI, have been built in the past ten years, and the average age of Killam's portfolio is 28 years. This portfolio of newer assets allows Killam to focus on value-enhancing opportunities as the maintenance capital requirements are lower.

Maintenance capital requirements vary significantly by age of each property. As the chart below illustrates, the approximate 2017 maintenance capex for properties built in the past 10 years was $140 per unit vs. $930 per unit, for units that were 40+ years old.



Building Improvements
Of the $6.7 million total capital investment in the apartment segment for the three months ended March 31, 2018, approximately 51% was invested in building improvements, compared to 29% of the total capital spend for the three months ended March 31, 2017. These investments include exterior cladding and brick work, balcony refurbishments, roof upgrades, common area renovations and energy and water efficiency investments to increase the quality of Killam's portfolio. The quarter-over-quarter variance relates primarily to the timing of multi-phase building envelope projects. These projects were planned and approved in 2017, allowing for faster execution in 2018.

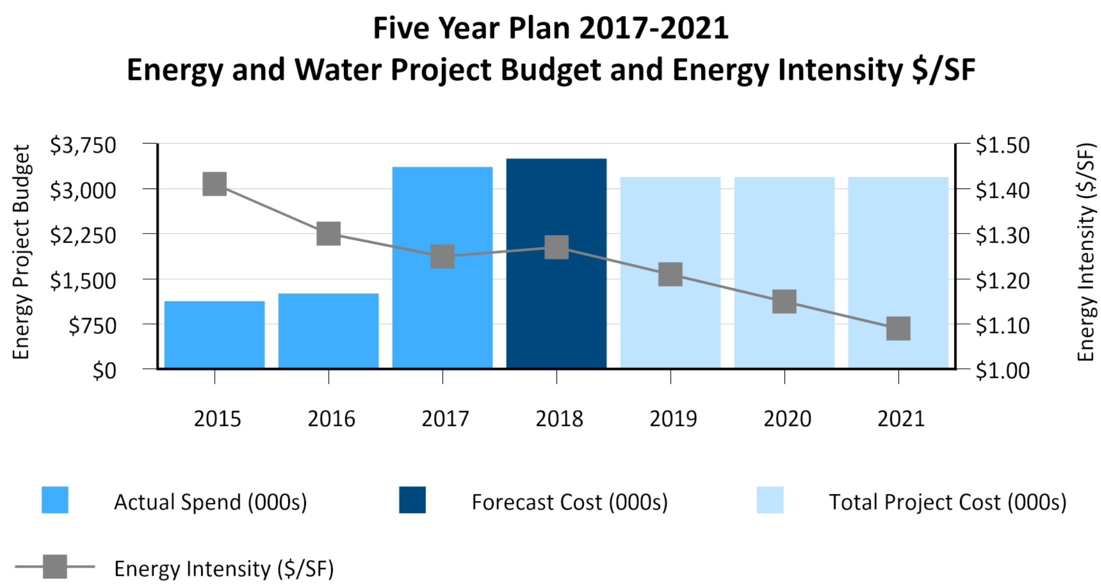
Suite Renovations
Killam invested $2.3 million in suite renovations during the three months ended March 31, 2018, consistent with the total spend of $2.4 million for the three months ended March 31, 2017. Killam continues to focus on unit upgrades to maximize occupancy and rental increases. Killam targets a minimum return on investment of 10% for its suite renovations. The timing of suite renovation spend is influenced by tenant turnover, market conditions and individual property requirements. In addition, the length of time that Killam has owned a property and the age of the property also impact capital requirements.

In 2018, Killam is accelerating its suite repositioning program, tripling its investment from $1.0 million in 2017 to a minimum of $3.0 million in 2018. Killam is targeting a return on investment of at least 10% with monthly rental rate increases of 10% - 30% upon completion of the renovation and lease up. Management is committed to investing further in repositioning its suites to increase revenue growth and the net asset value of the portfolio.

Energy Efficiencies
Through a comprehensive review in 2016, Killam identified approximately 700 projects to reduce water, heating fuel and electricity consumption. The total budget for these projects is $25 million, and once complete, aggregate annual savings of $7 million are expected. At a 5% average cap-rate, execution of these initiatives could increase the net asset value of Killam's portfolio by $140 million.

These projects are expected to reduce Killam's energy intensity from $1.41 per square foot at the time of the review in 2016, to $1.10 per square foot by the end of 2021, a 23% reduction. Energy intensity measures all energy sources (including water) used within a property, converted to a single common measurement of dollars per SF. This $0.31 decline represents an estimated $4.3 million in annual energy costs, which should more than offset rising energy rates and other operating pressures.

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



Killam will continue to execute on its energy efficiency plan in 2018, with a budget of $5.0 million and projected annualized savings of $1.1 million. Projects will target the installation of ultra-low flow toilets ($0.6 million), lighting ($1.9 million), and heating efficiency ($2.5 million). By the end of 2018, Killam expects to have upgraded all the water fixtures in its portfolio with low-flow devices. In total, these changes are expected to reduce water consumption by 100 million litres of water annually.

MHCs - Capital Spend

A summary of the capital spend for the MHC segment is included below:

For the three months ended March 31,

	2018	2017	% Change
Water and sewer upgrades	**$231**	$86	168.6%
Other	**72**	113	(36.3)%
Total capital spend - MHCs	**$303**	$199	52.3%
Average number of sites outstanding	**5,165**	5,165	—%
Capital spend - $ per site	**$59**	$39	51.3%

Management expects to invest between $400 and $600 per MHC site annually. Consistent with the apartment portfolio, a portion of the MHC capital is considered maintenance capital and a portion is considered value enhancing. Maintenance capital includes costs to support the existing infrastructure, and value-enhancing capital includes improvements to roadways, work to accommodate future expansion, and community enhancements, such as the addition of playgrounds. A portion of MHC capital may be recovered through above guideline increases in provinces with rent control, leading to increased NOI from the investments.

Total capital spend during the three months ended March 31, 2018 was $0.3 million, up from $0.2 million in the three months ended March 31, 2017. The increase in capital spend is due to timing of water and sewer upgrades. As with the apartment portfolio, the timing of MHC capital investment changes based on requirements at each community.

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

Mortgages and Other Loans

Below outlines Killam's key debt metrics:

As at	**March 31, 2018**	December 31, 2017	Change
Weighted average years to debt maturity	**4.3**	4.0	0.3 years
Total debt to total assets	**50.2%**	48.7%	150 bps
Interest coverage	**3.21x**	3.13x	2.6%
Debt service coverage	**1.52x**	1.51x	0.7%
Debt to EBITDA (1)	**11.66x**	10.70x	9.0%
Weighted average mortgage interest rate	**2.91%**	2.91%	—
Weighted average interest rate of total debt	**3.01%**	2.96%	5 bps

(1) Ratio calculated net of cash

Killam’s long-term debt consists largely of fixed-rate, long-term mortgages. In certain cases, Killam will also utilize vendor-take-back mortgages as part of an acquisition. Mortgages are secured by a first or second charge against individual properties, and vendor financing is secured by a general corporate guarantee. Killam’s weighted average interest rate on mortgages as at March 31, 2018, was 2.91%, the same rate as at December 31, 2017.

Total debt as a percentage of total assets increased 150 bps to 50.2% from December 31, 2017, which is a result of the timing of debt placement on three all-cash property acquisitions in Q4-2017. This increase was partially offset by the $60.7 million in fair value gains recorded in Q1-2018 related to Killam's investments properties. Debt to EBITDA of 11.66x as at March 31, 2018 increased from 10.70x as at December 31, 2017, due to timing of acquisitions and increased construction financing on Killam's development projects. Proforma debt to EBITDA, with stabilization of recent acquisitions and developments, would be approximately 10.40x.

This ratio is sensitive to changes in the fair value of investment properties, in particular cap-rate changes. A 10 bps change in the weighted average cap-rate as at March 31, 2018 would have impacted the ratio of debt as a percentage of total assets by 90 bps.

Refinancings

For the three months ended March 31, 2018, Killam refinanced the following mortgages:

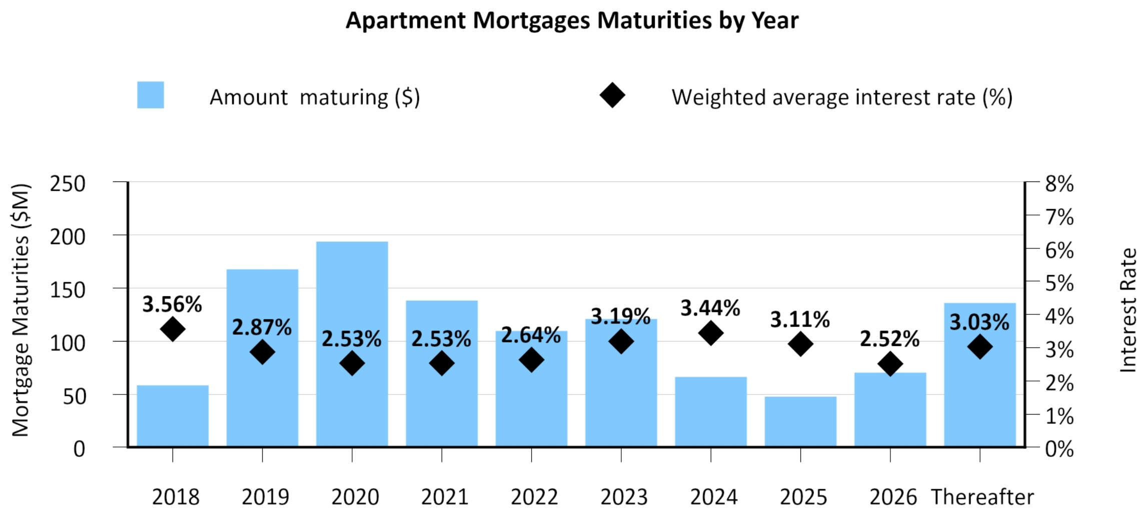
	Mortgage Debt Maturities		Mortgage Debt on Refinancing		Weighted Average Term	Net Proceeds
Apartments	$19,217	3.50%	$28,882	3.13%	7.6 years	$9,665
MHCs	1,259	4.19%	3,242	3.98%	5.0 years	1,983
	$20,476	3.55%	$32,124	3.21%	7.3 years	$11,648

The following table details the maturity dates and average interest rates of mortgage and vendor debt, and the percentage of apartment mortgages that are CMHC-insured by year of maturity:

	Apartments			MHC		Total	
Year of Maturity	Balance March 31	Weighted Avg Int. Rate %	% CMHC Insured	Balance March 31	Weighted Avg Int. Rate %	Balance March 31	Weighted Avg Int. Rate %
2018	$58,228	3.56%	34.3%	$10,777	4.33%	$69,005	3.68%
2019	167,256	2.87%	94.0%	17,976	3.85%	185,232	2.97%
2020	193,357	2.53%	59.5%	6,620	3.52%	199,977	2.56%
2021	137,858	2.53%	85.5%	6,838	3.29%	144,696	2.56%
2022	109,429	2.64%	70.9%	24,413	3.67%	133,842	2.83%
2023	120,706	3.19%	88.5%	3,220	3.98%	123,926	3.28%
Thereafter	319,271	3.01%	100.0%	—	—%	319,271	3.02%
	$1,106,105	2.85%	82.6%	$69,844	3.77%	$1,175,949	2.91%

(1) Excludes $13.5 million in variable rate demand loans secured by development properties, which are classified as mortgages and loans payable as at March 31, 2018.

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



Access to mortgage debt is essential in refinancing maturing debt and financing acquisitions. Management has diversified Killam's mortgages to avoid dependence on any one lending institution and has staggered maturity dates to manage interest rate risk. Management anticipates continued access to mortgage debt for both acquisitions and refinancings. Access to CMHC-insured financing gives apartment owners an advantage over other asset classes as lenders are provided a government guarantee and therefore are able to lend at more favorable rates. As at March 31, 2018, approximately 83% of Killam's apartment mortgages were CMHC-insured (78% of total mortgages, as MHC mortgages are not eligible for CMHC insurance) (December 31, 2017 - 80% and 75%). The weighted average interest rate on the CMHC-insured mortgages was 2.75% as at March 31, 2018 (December 31, 2017 - 2.71%).

The following tables present the NOI for properties that are available to Killam to refinance at debt maturity in 2018 and 2019:

Remaining 2018 Debt Maturities	**Number of Properties**	**Estimated NOI**	**Principal Balance (at maturity)**
Apartments with debt maturing	15	$5,911	$57,901
MHCs with debt maturing	9	1,906	10,604
	24	$7,817	$68,505

2019 Debt Maturities	**Number of Properties**	**Estimated NOI**	**Principal Balance (at maturity)**
Apartments with debt maturing	39	$20,804	$154,321
MHCs with debt maturing	7	2,409	16,887
	46	$23,213	$171,208

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

Future Contractual Debt Obligations

As at March 31, 2018, the timing of Killam's future contractual debt obligations is as follows:

For the twelve months ending March 31,	Mortgage and loans payable	Construction loans	Credit facilities	Total
2019	$162,125	$48,887	$—	$211,012
2020	203,654	—	—	203,654
2021	184,778	—	60,985	245,763
2022	173,795	—	—	173,795
2023	111,015	—	—	111,015
Thereafter	354,067	—	—	354,067
	$1,189,434	**$48,887**	**$60,985**	**$1,299,306**

Construction Loans

As at March 31, 2018, Killam had access to three floating rate non-revolving demand construction loans, for the purpose of financing development projects, totaling $98.6 million. Payments are made monthly on an interest only basis. The construction loans have interest rates of prime plus 0.625%. Once construction is complete and rental targets achieved, the construction loans will be repaid in full and replaced with conventional mortgages. The underlying assets are pledged as collateral against these loans.

As at March 31, 2018, $48.9 million was drawn on the construction loans (December 31, 2017 - $41.0 million). The weighted-average interest rate was 4.08% (December 31, 2017 - 3.83%).

Credit Facilities

Killam has access to two credit facilities with credit limits of $70.0 million and $1.5 million (March 31, 2017 - $30.0 million and $1.5 million) that can be used for acquisition and general business purposes. Killam holds an accordion option to increase the $70.0 million facility to $90.0 million.

The $70.0 million facility bears interest at prime plus 75 bps on prime rate advances or 170 bps over bankers acceptances ("BAs"). Killam has the right to choose between prime rate advances and BAs based on available rates and timing. As at March 31, 2018, Killam has assets with a carrying value of $52.2 million pledged as first mortgage ranking and $311.3 million pledged as second mortgage ranking to the line and a balance outstanding of $61.0 million (December 31, 2017 - $nil). The agreement includes certain covenants and undertakings with which Killam is in compliance as at March 31, 2018.

The $1.5 million facility bears interest at prime plus 175 bps on advances and 135 bps on issuance of letters of credit in addition to 50 bps per annum. As at March 31, 2018, Killam had assets with a carrying value of $1.9 million pledged as collateral (December 31, 2017 - $1.8 million) and letters of credit totaling $0.3 million outstanding against the facility (December 31, 2017 - $1.1 million). The agreement includes certain covenants and undertakings with which Killam is in compliance as at March 31, 2018.

As at March 31, 2018	Maximum Loan Amount	Amount Drawn	Letters of Credit	Amount Available
$70.0 million demand facility	$70,000	60,985	—	$9,015
$1.5 million demand facility	1,500	—	261	1,239
Total	**$71,500**	**60,985**	**$261**	**$10,254**

Unitholders' Equity

As 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. Consequently, 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.

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

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, 2018, no unitholders redeemed units.

During the quarter, Killam increased its monthly distribution by 3.2% to $0.05333, effective for the March 2018 distribution ($0.64 per unit annualized). Killam's Distribution Reinvestment Plan ("DRIP") allows unitholders to elect to have all cash distributions from the trust reinvested in additional units. Unitholders who participate in the DRIP receive an additional distribution of units equal to 3% of each cash distribution that was reinvested. The price per unit is calculated by reference to the ten day volume weighted average price of Killam's units on the Toronto Stock Exchange preceding the relevant distribution date, which typically is on or about the 15th day of the month following the distribution declaration. The following chart highlights Killam's distributions paid and trust units reinvested.

Distribution Reinvestment Plan and Net Distributions Paid

For the three months ended March 31,

	2018	2017	% Change
Distributions declared on trust units	**$12,750**	$10,705	19.1%
Distributions declared on exchangeable units	**604**	586	3.1%
Distributions declared on awards outstanding under RTU plan	**75**	46	63.0%
Total distributions declared	**$13,429**	$11,337	18.5%
Less:			
Distributions on trust units reinvested	**(3,357)**	(2,438)	37.7%
Distributions on RTUs reinvested	**(75)**	(46)	63.0%
Net distributions paid	**$9,997**	$8,853	12.9%
Percentage of distributions reinvested	**25.6%**	21.9%	

Liquidity and Capital Resources

Management ensures there is adequate liquidity to fund major property maintenance and improvements, debt principal and interest payments, distributions to unitholders and property acquisitions and developments. Killam’s sources of capital include: (i) cash flows generated from operating activities; (ii) cash inflows from mortgage refinancings; (iii) mortgage debt secured by investment properties; (iv) credit facilities with two Canadian chartered banks; and (v) equity and debt issuances.

Management expects to have sufficient liquidity for the foreseeable future based on its evaluation of capital resources:

(i) Cash flows from operating activities are expected to be sufficient to fund the current level of distributions and maintenance capex.

(ii) Killam's $70.0 million revolving credit facility supports acquisitions of approximately $150 million. The revolving facility has an accordion feature to increase the facility up to $90.0 million. Including this feature, Killam's credit facilities provide over $200 million of acquisition capacity. Currently, Killam has $61.0 million drawn on its revolving credit facility; however, the recently acquired Westmount Place property is unencumbered. Including the remaining credit facility balance and the unencumbered Westmount property Killam has approximately $170 million of acquisition capacity.

(iii) The retained portion of annual ACFO, mortgage refinancings and construction loans are expected to be sufficient to fund value enhancing capex, principal repayments and developments.

(iv) Upcoming mortgage maturities are expected to be renewed through Killam's mortgage program.

Killam is in compliance with all financial covenants contained in the DOT and through its credit facilities. Under the DOT, total indebtedness of Killam is limited to 70% of gross book value determined as the greater of (i) the value of the assets of Killam as shown on the most recent consolidated statement of financial position and (ii) the historical cost of the assets of Killam. Total debt as a percentage of assets as at March 31, 2018 was 50.2%.

PART VIII
Risk Management

Killam faces a variety of risks, the majority of which are common to real estate entities. These are described in detail in the Management's Discussion and Analysis of Killam's 2017 Annual Report and in Killam's Annual Information Form, both filed on SEDAR. These factors still exist at the end of this quarter and remain relatively unchanged.

Critical Accounting Policies and Significant Accounting Judgments, Estimates and Assumptions

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 Killam's business and financial statement presentation. In particular, Killam's significant accounting policies were presented in note 2 to the audited consolidated financial statements for the year ended December 31, 2017, and any changes in the accounting policies applied have been described in note 2 to the condensed consolidated interim financial statements for the three months ended March 31, 2018.

The preparation of financial statements in conformity with IFRS requires Management to make estimates and assumptions. Significant areas of judgment, estimates and assumptions are set out in note 3 to the audited consolidated financial statements found in Killam's 2017 Annual Report. The most significant estimates relate to the fair value of investment properties and deferred income taxes.

In May 2014, the IASB issued IFRS 15 “Revenue from Contracts with Customers”, replacing IAS 18, “Revenue”, IAS 11, “Construction Contracts”, and related interpretations. IFRS 15 provides a comprehensive framework for the recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the accounting standards on leases, insurance contracts and financial instruments.Killam adopted the standard on January 1, 2018 and applied the requirements of the standard retrospectively. The implementation of IFRS 15 did not have a significant impact on Killam's revenue recognition. The disclosure in accordance with IFRS 15 is included in Note 15 to the financial statements.

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments which introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 establishes principles for the financial reporting of financial assets and financial liabilities that present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IFRS 9 also introduces an expected loss impairment model for all financial assets not measured at fair value through profit or loss that requires recognition of expected credit losses rather than incurred losses as applied under the current standard. Killam adopted the standard retrospectively on January 1, 2018. The implementation of IFRS 9 did not have a significant impact on Killam's financial instruments.

The IASB issued amendments to IFRS 2, Share-based Payment, that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. Killam adopted the amendments on January 1, 2018. As Killam's policies and practices are in line with the amendments, the adoption of the new standard did not have any impact on Killam’s financial statements.

The IASB issued an amendment to IAS 40, Investment Property, that clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A change in management’s intentions for the use of a property does not provide evidence of a change in use. Killam adopted the amendment on January 1, 2018. Killam's current policy and practice is in line with the clarification issues, these amendments therefore did not have any impact on Killam’s financial statements.

Disclosure Controls, Procedures and Internal Controls

Management, including the Chief Executive Officer and the Chief Financial Officer, does not expect that Killam’s disclosure controls and, procedures and internal controls will prevent or detect all error and all fraud. Because of the inherent limitations in all control systems, an evaluation of controls can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within Killam have been detected. During the most recent interim period, there have been no significant changes to Killam's disclosure controls and, procedures or internal controls.

Related Party Transactions

Halkirk Properties Limited ("Halkirk") is a company that is partially owned by a Trustee of Killam. Killam and Halkirk have been developing a 240-unit building adjacent to the Brewery Market in Halifax, Nova Scotia since 2016. Construction of the development is managed by Killam and the cost of construction is funded 50/50 by each partner.

Subsequent Events

On April 17, 2018, Killam announced a distribution of $0.05333 per unit, payable on May 15, 2018, to unitholders of record on April 30, 2018.