Management's Discussion & Analysis

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

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PART I

Basis of Presentation

The following Management's Discussion and Analysis ("MD&A") has been prepared by Management and focuses on key statistics from the consolidated financial statements and pertains to known risks and uncertainties. To ensure that the reader is obtaining the best overall perspective, this MD&A should be read in conjunction with material contained in the Company's audited consolidated financial statements for the years ended December 31, 2013, and 2012. The consolidated financial statements for the years ended December 31, 2013, and 2012, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These documents, along with the Company's 2013 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 6, 2014.

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 the Company'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 statements, 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 which 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 the Company. Readers are cautioned that such statements may not be appropriate and should not be used for any other purpose.

Non-IFRS Measures

There are measures included in this MD&A that do not have a standardized meaning under IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies. The Company includes these measures as a means of measuring financial performance.

- Net operating income ("NOI") is calculated by the Company as income from property operations. The use of NOI when referring to a particular segment is calculated as property revenue less property operating costs for that segment.
- Funds from operations ("FFO") are calculated by the Company as net income plus deferred tax expense, loss on disposition and depreciation on owner-occupied property, less fair value gains, gain on disposition and non-controlling interest. Killam's definition of FFO is calculated in accordance with the REALpac definition.
- Adjusted funds from operations ("AFFO") are calculated by the Company as FFO less the industry standard of $450 per apartment unit for "maintenance" versus "NOI enhancing" related capital costs and $100 per Manufactured Home Community ("MHC") site, although the MHC industry does not have a standard amount for "maintenance" related capital costs.
- Same store results in relation to the Company are revenues and property operating expenses for stabilized properties the Company has owned for equivalent periods in 2014 and 2013 (93% of the portfolio based on March 31, 2014 unit count).
- Capitalization Rate ("cap-rate") is the rate calculated by dividing the forecasted NOI from a property by the property's purchase price.
- Interest coverage is calculated by dividing the earnings before interest, tax, depreciation, and fair value adjustments by interest expense.
- Debt service coverage is calculated by dividing the earnings before interest, tax, depreciation, and fair value adjustments by interest expense and principal mortgage repayments.

PART II

Business Overview

Killam Properties Inc., based in Halifax, Nova Scotia ("NS"), is one of Canada's largest residential landlords, owning, operating, managing and developing multi-family residential and Manufactured Home Community ("MHC") properties. Killam's 167 apartment properties are located in Atlantic Canada's six largest urban centres and in Ontario ("ON"). The Company's 35 MHCs are located in Ontario and Atlantic Canada. The value of Killam's real estate assets at March 31, 2014, was $1.5 billion. Killam is focused on growing its portfolio, maximizing the value of its properties and increasing FFO per share.

Killam was founded in 2000, based on the recognition of an opportunity to create value through the consolidation of apartments in Atlantic Canada and MHCs across Canada. Killam's first apartment was purchased in 2002 and its first MHC was purchased in 2003. From 2002 to 2009, Killam's apartment portfolio grew through the acquisition of properties in Atlantic Canada's six largest cities, namely Halifax, Moncton, Saint John, Fredericton, St. John's and Charlottetown. Killam is now Atlantic Canada's largest residential landlord, with a 14.2% market share of the multi-family rental units in these core markets. Killam entered the Ontario apartment market in 2010, and today owns fourteen properties in the province, including assets in Toronto, Ottawa, London and Cambridge. Killam plans to expand its presence in Ontario with additional acquisitions and developments. Since 2010, Killam has complemented its acquisition program with the construction of apartment buildings, completing five projects that total 331 units to-date. Currently, the Company has two additional projects under construction totalling 224 units with expectations to be completed in the second half of 2014 and early 2015. The apartment business is Killam's largest business segment, accounting for 90% of the Company's NOI from property operations and equity income for the three months ended March 31, 2014. At March 31, 2014, Killam's apartment portfolio consisted of 12,822 units.

In addition, the Company owns MHCs, also known as land-lease communities or trailer parks. Killam owns the land and infrastructure supporting each community and leases the lots to tenants, who own their own homes and pay Killam a monthly site rent. Killam owns 35 communities which accounted for 10% of Killam's NOI for the three months ended March 31, 2014.

Key Performance Indicators (KPIs)

Management measures Killam's performance based on the following KPIs:

1) FFO per Share – A standard measure of earnings for real estate entities. Management is focused on growing FFO per share on an annual basis.

2) Rental Increases – Management expects to achieve increases in average rental rates on an annual basis and measures the average rental increases achieved.

3) Occupancy – Management is focused on maximizing occupancy levels while also managing the impact of higher rents. This measure considers units rented as a percentage of total stabilized units at a point in time.

4) Same Store NOI Growth – This measure considers the Company's ability to increase the NOI at properties that it has owned for equivalent periods quarter-over-quarter, removing the impact of acquisitions, dispositions, developments and other non same store operating adjustments.

5) Weighted Average Cost of Debt – Killam monitors the weighted average cost of its mortgage debt and total debt.

6) Debt to Total Assets – Killam measures its debt levels as a percentage of total assets and works to ensure that the debt to total assets remains at a range of 55% to 65%.

7) Term to Maturity – Management monitors the average number of years to maturity on its debt.

8) 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.

9) Debt Service Coverage Ratio – A common measure of credit risk used by lenders, this measure considers Killam's ability to pay interest and principal on outstanding debt. Generally the higher the debt service coverage ratio, the lower the credit risk.

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

Financial and Operational Highlights

The following table presents a summary of Killam's financial and operating performance for the three months ended March 31, 2014 and 2013:

Results of Operations

For the three months ended March 31,

	2014	2013	Change
Property revenue	**$35,065**	$33,249	5.5%
NOI	**$17,620**	$18,166	(3.0)%
Income before fair value gains, gain on disposition and income taxes	**$7,046**	$8,016	(12.1)%
Fair value gains	**$ -**	$4,291	(100.0)%
Net income applicable to common shareholders	**$4,869**	$8,967	(45.7)%
Earnings per share (basic)	**$0.09**	$0.17	(47.1)%
FFO	**$6,827**	$7,812	(12.6)%
FFO per share (basic)	**$0.13**	$0.15	(13.3)%
FFO per share (diluted)	**$0.12**	$0.14	(14.3)%
AFFO per share	**$0.10**	$0.12	(16.7)%
Weighted average shares outstanding (basic) (000's)	**54,606**	53,874	1.4%

Same Store Results

For the three months ended March 31,

	2014	2013	Change
Same store revenue	**$31,397**	$31,000	1.3%
Same store expenses	**(15,742)**	(14,190)	10.9%
Same store NOI	**$15,655**	$16,810	(6.9)%

Balance Sheet

	As at March 31, 2014	As at December 31, 2013	Change
Investment properties	**$1,505,274**	$1,476,116	2.0%
Total assets	**$1,550,953**	$1,532,431	1.2%
Total liabilities	**$947,997**	$928,371	2.1%
Total equity	**$602,956**	$604,060	(0.2)%

Ratios

	As at March 31, 2014	As at December 31, 2013	Change
Total debt to total assets	**52.9%**	52.9%	- bps
Weighted average mortgage interest rate	**3.93%**	4.05%	(12) bps
Weighted average years to debt maturity	**4.0**	3.9	0.1 years
Interest coverage (rolling twelve months)	**2.05x**	2.08x	(1.4)%
Debt service coverage (rolling twelve months)	**1.32x**	1.34x	(1.5)%

Summary of Q1-2014 Results and Operations

Same Store Revenue Growth of 1.3%

Killam's same store portfolio posted a 1.3% increase in revenue in Q1, including a 1.2% increase for the apartment portfolio and a 2.3% increase for the MHC portfolio. The improvements are attributable to increased rents and quarter-over-quarter occupancy improvements, which more than offset any increase in incentive offerings in the quarter.

High Natural Gas Costs Result in a Decline in Same Store NOI

High natural gas prices persisted in Atlantic Canada and New England during Q1-2014 as cold weather increased demand, driving higher prices in a market already constrained by a shortage of pipeline and storage capacity. The colder than normal weather also resulted in increased energy consumption during Q1. Overall, same store energy and utility costs were up 17.7% in Q1, and total operating costs were up 10.9%. The high utility and operating costs resulted in a 6.9% decline in Killam's same store NOI in Q1.

Acquisitions Contribute to FFO

Property acquisitions of $16.4 million for Q1-2014, plus the $114 million in 2013, contributed to FFO during the first quarter. Also contributing positively to FFO were new developments completed in mid-2013. With lease-up continuing on two of the four buildings built last year (two are fully leased), the full earning potential of the new developments is expected to be realized during the second half of 2014.

Timing of Redeployment of Funds from MHC Sale

Killam generated $42.6 million net proceeds from the sale of its New Brunswick MHC portfolio in November 2013. The sale allowed Killam to crystallize the increase in value of this portfolio. Killam is using these funds to grow its portfolio of apartments with a focus on expansion in Ontario. The ten properties sold generated annual NOI of $4.3 million and the Company is in the process of accretively deploying the proceeds however, the delay in deployment has created short-term dilution during Q1-2014.

Interest Cost Savings on Refinancings

Killam continues to benefit from interest rate savings on mortgage refinancings. During Q1 Killam successfully refinanced $36.8 million of maturing apartment mortgages at a weighted average interest rate of 2.71%, 164 basis points ("bps") lower than the weighted average interest rate prior to refinancing. The full benefit of these refinancings will be realized throughout the year.

FFO of $0.13 during Q1

The items highlighted above resulted in FFO per share of $0.13, a $0.02 decline from $0.15 earned during Q1-2013. The increase in utility and fuel costs was the most significant factor impacting earnings. For example, same store property expenses increased $1.6 million quarter-over-quarter and fuel expenses alone was $1.0 million or $0.02 per share of this increase.

Management's Discussion & Analysis

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

Performance Compared to 2014 Key Objectives

Consolidation of Multi-family Residential Real Estate Market and Increase Investment in New Properties	
2014 Target	Complete a minimum of $75 million in acquisitions and continue to develop two current development projects on schedule and within 5% of budget.
2014 Performance	Killam acquired three apartment properties during the first quarter, representing 171 units, for a total of $16.4 million. In addition, Killam acquired a 4-unit property in Halifax with land for future development for $1.5 million. Subsequent to Q1-2014, Killam acquired a new, 83-unit property in Halifax for $18.6 million. Total year-to-date purchases are $36.5 million. Killam's two development projects underway, representing a total value of $46.7 million, both remain on schedule and on budget.

Geographic Diversification	
2014 Target	Killam's goal is to invest more than 50% of its 2014 acquisition program outside Atlantic Canada, with a focus on Ontario.
2014 Performance	During the first three months of 2014, Killam acquired two adjacent properties in Ottawa, 50 Selkirk Street, a 75-unit building, and 350 Mayfield Avenue, a 61-unit building. These acquisitions account for 64% of Killam's acquisitions during Q1-2014.

Growth in Same Store Net Operating Income	
2014 Target	Same Store NOI growth of 0% to 2%.
2014 Performance	Same store NOI declined by 6.9% during the first quarter, due primarily to a 17.7% increase in utility and fuel expenses. Management does not expect energy costs to impact NOI growth to the same extent during the remainder of the year, as Q1 represents approximately 50% of the annual energy costs. Based on the in NOI results during Q1, Management has readjusted its targeted same store NOI growth to 0% for 2014 and will comment further on this in Q2-2014.

Management's Discussion & Analysis

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

Outlook

Improved Same Store Performance

Occupancy improvements in certain markets, including Ontario, Moncton and Saint John, should help offset the competitive rental market in Halifax, where occupancy levels are expected to be similar to levels experienced in 2013. In order to maintain and improve occupancy, the Company is aggressively marketing and offering incentives where necessary.

Economic Projects to Fuel Growth in Atlantic Canada

Looking forward to 2015 and beyond, Management expects that major economic projects in Halifax and Atlantic Canada will fuel population growth and demand for rental units in its core Atlantic Canadian markets. Large economic projects, either proposed or underway in the region include:

Province	Project(1)	Commitment/ Size ($)	Term	Estimated # of Jobs	Comments
Nova Scotia	Irving Shipbuilding Contract	$25 billion	25-year contract	1,000-1,500 direct up to 11,500 indirect	Presently, Irving is investing approximately $350 million modernizing the Halifax Shipyard to begin cutting steel in 2015.
	Energy Exploration off NS Coast	$2.1 billion (British Petroleum and Shell Canada)	6 years (exploration phase)	Not available	This offshore oil activity has the potential for long-term investment and employment opportunities in the region.
	Various Halifax Construction Projects	$1-2 billion	3-4 years	Not available	Investment made in the new convention centre, two new military facilities, and new downtown library.
New Brunswick	Energy East Pipeline	$12 billion (proposed total project cost)	6 years (development phase)	3,700 during development; 385 during 40-year operating phrase	Regulatory applications are expected to be submitted during 2014. An estimated $2.8 billion GDP contribution for NB during this project.
	Saint John Mill Upgrade	$450 million	4-5 years	600 direct	Two phase upgrade to begin in the spring of 2014, corresponding with a 20% increase in the NB softwood that will be made available to the forestry industry.
Newfoundland and Labrador	Muskrat Falls Hydro Project	$7.8 billion	5 years	1,500 direct with peak of 3,100	Construction of the 824 megawatt hydroelectric dam is underway.
	Maritime Link	$1.5 billion	4 years	300 direct	Subsea cable designed to transport electricity from NL to NS has been approved and expected to start in 2014.
	Hebron Oil Project	$14 billion	10 years	3,000 - 3,500 direct	Construction is taking place with oil expected to flow in 2014 but development drilling to continue through 2024.

(1) Project details including commitment, size, term and job growth are taken from various sources, such as relevant company press releases, economic studies and related sources.

Natural Gas Pricing to Remain Uncertain in Near-Term

Increased natural gas costs for Atlantic Canada was initially thought to be a 2013 issue related to dwindling Sable gas supply and the delayed start-up of the Deep Panuke platform. However, Q1-2014 identified a larger and more complex issue related to insufficient pipeline and storage capacity for New England and Atlantic Canada. Management is encouraged by the fact the Northeastern US is also exposed to these gas supply constraints and resulting price volatility so there is strong motivation to find a permanent solution. This is expected to take place over the next three to five years.

In the interim, the continued forward price-fix by Killam's NS natural gas distributor should help mitigate volatility. As well, Management is seeking to fix a portion of its New Brunswick gas requirements for the 2015 heating season with a fixed contract.

Despite the volatility in natural gas prices since late 2012, natural gas has been and continues to be generally more economical than oil.

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

Interest Expense Savings

Killam has $90.0 million of apartment debt maturing during the remainder of 2014 at a weighted average interest rate of 4.6%. Based on the current bond yield, rates could be fixed at approximately 2.7% for 5-year debt and 3.5% for 10-year debt. At current interest rates, the Company would generate annualized interest savings on mortgages refinanced during the remainder of the year.

Acquisitions of $75 million

Management expects to meet its acquisition target of a minimum of $75 million in 2014. The acquisition activity is focused around redeploying the proceeds from the MHC sale in November 2013.

Portfolio Summary

The following table summarizes Killam's apartment portfolio by market as at and for the three months ended March 31, 2014:

Apartment Properties

	Units(1)	Number of Properties	% of Apartment NOI and Equity Income
Nova Scotia			
Halifax(2)	4,973	54	45.7%
Sydney	139	2	1.0%
	5,112	56	46.7%
New Brunswick			
Moncton	1,629	31	10.6%
Fredericton	1,394	20	9.1%
Saint John	1,143	13	3.3%
Miramichi	96	1	0.8%
	4,262	65	23.8%
Ontario(3)			
Ottawa	628	8	2.0%
London	264	2	3.4%
Cambridge	225	2	3.7%
Toronto	378	2	3.6%
	1,495	14	12.7%
Newfoundland and Labrador			
St. John's	813	11	8.3%
Grand Falls	148	2	1.0%
	961	13	9.3%
Prince Edward Island			
Charlottetown	906	17	6.8%
Summerside	86	2	0.7%
	992	19	7.5%
Total	**12,822**	**167**	**100.0%**

(1) Unit count includes properties held through Killam's partnerships and joint venture.

(2) Killam owns a 47% interest in and manages Garden Park Apartments, a 246-unit building located in Halifax, NS. Killam's 47% ownership interest represents 116 of the 246 units related to this property.

(3) Killam owns three buildings located in Ontario through a joint venture, with Killam having a 25% ownership interest and managing the properties. Killam's 25% ownership interest represents 118 of the 472 units related to these properties.

Manufactured Home Communities Portfolio

The following table summarizes Killam's MHC investment by province as at and for the three months ended March 31, 2014:

	Sites	Number of Communities	% of MHC NOI
Nova Scotia	2,626	16	70.7%
Ontario	2,144	16	25.8%
New Brunswick	224	1	-%
Newfoundland and Labrador	170	2	3.5%
Total	**5,164**	**35**	**100.0%**

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

PART III

Q1-2014 Financial Overview

Consolidated Results

For the three months ended March 31,

	Total Portfolio			Same Store			Non Same Store		
	2014	2013	% Change	**2014**	2013	% Change	**2014**	2013	% Change
Property revenue	**$35,065**	$33,249	5.5%	**$31,397**	$31,000	1.3%	**$3,668**	$2,249	63.1%
Property expenses									
Operating expenses	**(6,009)**	(5,393)	11.4%	**(5,365)**	(4,948)	8.4%	**(644)**	(445)	44.7%
Utility and fuel expenses	**(7,219)**	(5,945)	21.4%	**(6,678)**	(5,672)	17.7%	**(541)**	(273)	98.2%
Property taxes	**(4,217)**	(3,745)	12.6%	**(3,699)**	(3,570)	3.6%	**(518)**	(175)	196.0%
Total property expenses	**(17,445)**	(15,083)	15.7%	**(15,742)**	(14,190)	10.9%	**(1,703)**	(893)	90.7%
NOI	**$17,620**	$18,166	(3.0)%	**$15,655**	$16,810	(6.9)%	**$1,965**	$1,356	44.9%
Operating margin	**50.2%**	54.6%	(8.1)%	**49.9%**	54.2%	(7.9)%	**53.6%**	60.3%	(11.1)%

Total property revenue for the three months ended March 31, 2014, excluding the properties held through the Company's joint venture, was $35.1 million, a 5.5% increase in revenue over the same period in 2013. The growth was generated through revenue from acquisitions, developments and increased rental rates, partially offset by increased vacancy and rental incentives.

Killam's total property expenses increased 15.7% for the first three months of 2014 compared to the same period in 2013, decreasing the operating margins by 440 bps for the quarter. The overall decrease in the operating margin can be attributed to higher operating and utility and fuel costs, and new acquisitions and developments in the lease-up phase that were not yet stabilized during the first quarter of 2014. As well, the three months ended March 31, 2014, had a higher percentage of apartment units versus MHC sites than 2013, which operate with a lower gross margin.

Same store property NOI reflects the 183 stabilized properties that Killam has owned for equivalent periods in 2014 and 2013. The same store analysis includes 16,724 units and sites, or 93% of Killam's portfolio. Home sales are excluded from this analysis. Same store properties realized net revenue growth of 1.3% in the three months ended March 31, 2014. This growth was offset by a 10.9% increase in same store expenses. The main driver of the increased property expenses was higher operating and utility and fuel costs, generating a decrease in NOI of 6.9% compared to the same period in 2013. These variances are discussed in more detail in the Apartment and MHC results sections of the MD&A.

Non same store property NOI consists of properties acquired in both 2013 and 2014, MHC properties sold in Q4-2013, completed development projects, other non-stabilized properties and adjustments to normalize for non-operational revenue or expense items. Details of properties acquired in 2014 are found on page 22.

Apartment Results

For the three months ended March 31,

	Total Portfolio			Same Store			Non Same Store		
	2014	2013	% Change	**2014**	2013	% Change	**2014**	2013	% Change
Property revenue	**$32,020**	$28,806	11.2%	**$28,728**	$28,392	1.2%	**$3,292**	$414	695.2%
Property expenses									
Operating expenses	**(5,259)**	(4,379)	20.1%	**(4,668)**	(4,256)	9.7%	**(591)**	(123)	380.5%
Utility and fuel expenses	**(6,879)**	(5,396)	27.5%	**(6,353)**	(5,359)	18.5%	**(526)**	(37)	1,321.6%
Property taxes	**(4,040)**	(3,474)	16.3%	**(3,551)**	(3,438)	3.3%	**(489)**	(36)	1,258.3%
Total property expenses	**(16,178)**	(13,249)	22.1%	**(14,572)**	(13,053)	11.6%	**(1,606)**	(196)	719.4%
NOI	**$15,842**	$15,557	1.8%	**$14,156**	$15,339	(7.7)%	**$1,686**	$218	673.4%
Operating margin	**49.5%**	54.0%	(8.3)%	**49.3%**	54.0%	(8.7)%	**51.2%**	52.7%	(2.8)%

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

Apartment Revenue

Total apartment revenue for the three months ended March 31, 2014, was $32.0 million, an 11.2% increase over the three months ended March 31, 2013. This growth was attributable to acquisitions, the completion of four development projects during 2013 and growth in rental rates.

Same store apartment revenue increased 1.2% for the three months ended March 31, 2014, and occupancy for these same store properties was 50 bps higher than March 31, 2013.

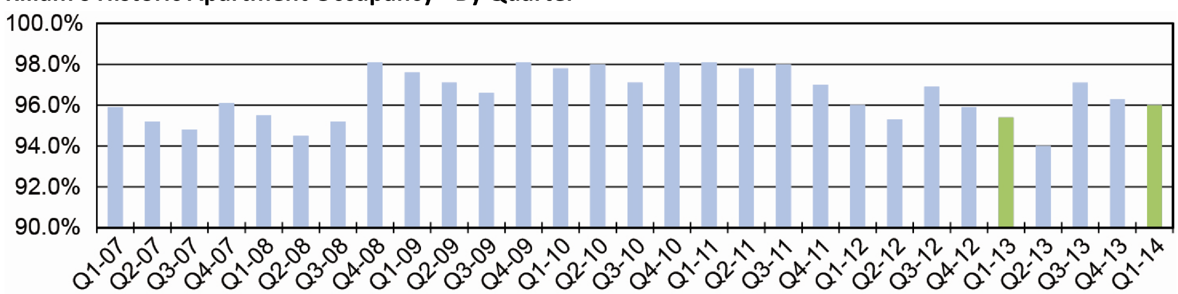
Based on current rents, an annualized 100 bps change in the apartment vacancy rate would impact the annualized rental revenue by $1.3 million.

Apartment Occupancy by Core Market

	As at March 31, 2014			As at March 31, 2013				
	Units	**Occupancy(1)**	**Average Rent**	Units	Occupancy(1)	Average Rent	Change Occ. (bps)	% Change Avg Rent
Halifax, NS	4,973	95.5%	$925	4,905	96.4%	$900	(90) bps	2.8%
Moncton, NB	1,629	96.4%	838	1,464	94.6%	801	180 bps	4.6%
Fredericton, NB	1,394	95.8%	898	1,293	97.0%	847	(120) bps	6.0%
Saint John, NB	1,143	96.2%	745	1,143	92.5%	746	370 bps	(0.1)%
St. John's, NL	813	95.8%	861	742	98.4%	782	(260) bps	10.1%
Charlottetown, PE	906	96.3%	878	734	93.7%	888	260 bps	(1.1)%
Ontario	1,495	97.2%	1,205	1,180	93.1%	1,297	410 bps	(7.1)%
Other Atlantic	469	95.1%	803	431	96.3%	781	(120) bps	2.8%
Total Apartments (weighted average)	**12,822**	**96.0%**	**$916**	11,892	95.4%	$894	60 bps	2.5%

(1) Includes all stabilized properties.

Killam's Historic Apartment Occupancy - By Quarter



As highlighted in the table and chart above, Killam's apartment units were 96.0% occupied at March 31, 2014, a 60 basis point improvement from 95.4% at March 31, 2013. Killam typically experiences its highest occupancy during the end of the third quarter, and its lowest occupancy during the end of the second quarter. The change in occupancy of 30 bps from December 31, 2013, of 96.3% (December 31, 2012 of 95.9%) is typical for the Company during Q1. As well, the average stabilized occupancy (as a percentage of vacancy dollars) for Q1-2014 was 94.7%, a 50 basis points improvement from 94.2% in Q1-2013.

Killam's apartment occupancy levels have ranged from 94.0% to 97.1% during the last two years, compared to occupancy levels of 96.6% to 98.4% during the years 2009 to 2011. The change is due to above-average new rental construction in recent years, specifically in Halifax and Moncton, combined with relative softness in the economies in NS and NB. Offsetting the impact of these trends is a growing population of empty nesters and seniors with a propensity to rent, strong economic growth in Newfoundland and Killam's diversification into Ontario. Looking forward, large economic projects in Atlantic Canada are expected to lead significant economic growth in the region.

The factors noted above have generated an increasingly competitive rental market in the Maritime Provinces. Through focused marketing programs, Killam has been successful in outperforming the rental market in its core markets (as measured by CMHC in its 2013 Fall Rental Market Report).

Halifax is Killam's largest rental market, representing 46% of the Company's apartment NOI. Killam's occupancy in Halifax on March 31, 2014, was 95.5%, down from 96.4% on March 31, 2013. From 1999 to 2010, new apartment starts in Halifax averaged approximately 650 units per year (on a base of approximately 40,000 units). Since 2011 the number of annual starts has averaged 1,400 units as reported by CMHC. CMHC expects new starts to stay above the 10-year average in 2014 and throughout 2015 and 2016. The increase in new developments is being fuelled by both low interest rates and an expectation of increasing demand for apartments from an aging and growing population base. The $25 billion Irving Shipbuilding contract is the largest project expected to contribute to economic and population growth in the city. The 25-year contract was awarded in October 2011 and Irving Shipbuilding is currently investing $350 million to upgrade the shipyard and expects to begin cutting steel for the first round of vessels in 2015. In addition, NS's offshore oil industry has significant potential for growth with BP and Shell investing $1 billion each to complete seismic surveys off the province's coast.

The timing difference between apartment supply coming to the market and increased demand is expected to impact the Halifax market over the next 18 to 24 months. Despite the increased competition, Killam achieved encouraging increases in its same store revenue for its Halifax portfolio, as higher rents (up 2.0%) offset an uptick in vacancy and incentive offerings.

Killam's three core markets in NB represent 24% of the Company's apartment NOI. Both Moncton and Saint John improved occupancy levels over the last year, while occupancy in Fredericton was down in the quarter. Moncton achieved 96.4% occupancy at March 31, 2014, a 180 basis point improvement from a year earlier. Driven by strong population growth in recent years, Moncton is another market that has experienced higher than normal levels of apartment construction. Killam has increased its marketing programs, including incentive offerings in response to market trends, and has successfully improved occupancy in Moncton. Saint John, Killam's softest market over the last two years, has rebounded, with occupancy increasing 370 bps from March 31, 2013. At March 31, 2014, Killam's portfolio in the city was 96.2% occupied. Holding rental rates steady in the market and a moderate increase in incentive offerings have translated into a 2.6% growth in same store revenue in Saint John, quarter-over-quarter. There are encouraging signs of economic growth in the city, including a $450 million upgrade to the local saw mill and the potential for the $12 billion Energy East pipeline, which is proposed to bring oil from Western Canada to Saint John, Canada's largest refinery.

Killam's St. John's portfolio, which has led Killam's occupancy and revenue growth for the last three years, is experiencing a short-term decline in occupancy levels, ending the quarter at 95.8% occupied compared to 98.4% occupied at the end of Q1-2013. Killam continues to achieve its highest rental rate growth in St. John's, up 4.1% quarter-over-quarter, driven by economic growth from the energy sector.

The Company's Charlottetown portfolio has had an improving occupancy trend since a change to the province's immigration program resulted in an initial occupancy drop in Q4-2012. At March 31, 2014, the Charlottetown portfolio was 96.3% occupied, up 260 bps from March 31, 2013.

The Ontario portfolio continues to grow, representing 13% of Killam's apartment NOI and equity earnings during the first quarter of 2014. Killam reported strong improvement in occupancy levels in its Ontario portfolio in 2013 and remained high in Q1-2014, at 97.2% occupancy at March 31, 2014, a 410 bps quarter-over-quarter improvement. Excluding two new acquisitions that closed in March 2014, the portfolio achieved occupancy of 97.7% at March 31, 2014. Rents for same store properties were flat as the focus was on occupancy improvement. Overall, Ontario's same store rental revenue was up 3.0%.

Looking forward, Management expects to realize occupancy gains in the second quarter compared to 2013 and to outperform CMHC averages in its core markets.

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

Apartment Expenses

Total same store property expenses increased 11.6% for the three months ended March 31, 2014, due primary to an increase in utility and fuel expenses as a result of high natural gas prices in Atlantic Canada, higher electricity costs and an increase in operating expenses for the quarter.

Same store operating expenses increased 9.7% for the three months ended March 31, 2014, compared to the same period in 2013. The increase was mainly due to increased advertising, salaries and other additional maintenance expenses. In Q1-2014 there was increased and focused spending on advertising in competitive leasing markets where vacancy was higher than the previous year. Also, additional maintenance costs incurred during Q1-2014 related to higher snow removal costs in St. John's, Charlottetown and NB, and the timing of repair and maintenance work also contributed to the increased operating expenses.

Utility and Fuel Expense - Same Store

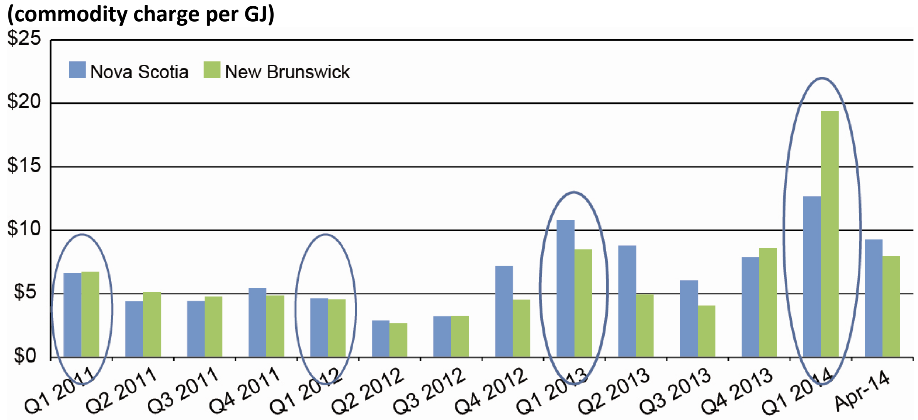
For the three months ended March 31,

	2014	2013	% Change
Natural gas	**$2,797**	$2,137	30.9%
Oil	**661**	582	13.6%
Electricity	**1,937**	1,716	12.9%
Water	**950**	916	3.7%
Other	**8**	8	-%
Total utility and fuel expenses	**$6,353**	$5,359	18.5%

Utility and fuel expenses represent significant operating expenses for Killam; approximately 45% of total property expenses in the first quarter and 32% of total property expenses annually. Killam's apartment properties are heated with a combination of natural gas (55%), electricity (36%), oil (8%) and other sources (1%). Electricity costs at the unit level are typically paid directly by tenants, reducing Killam's exposure to the majority of the 4,500 units heated with electricity. Fuel costs associated with natural gas or oil-fired heating plants are paid by Killam.

Killam's same store natural gas costs were 31% higher in Q1-2014 compared to Q1-2013 due to high commodity costs and increased consumption related to colder temperatures. Since Q4-2012, natural gas prices in Atlantic Canada have experienced increased volatility and unprecedented monthly rates. Increased demand from utilities in New England, augmented by a colder than normal winter in 2014, and a shortage of gas pipeline capacity in New England and Atlantic Canada, were factors influencing recent price increases. The chart below shows the quarterly per gigajoule (GJ) charge for the commodity component of Killam's natural gas costs since 2011 for both NS and NB, the only provinces in Atlantic Canada that use natural gas for heating.

Cost of Natural Gas in Nova Scotia and New Brunswick
(commodity charge per GJ)



Approximately 67% of Killam's natural gas consumption during Q1 was from Halifax, where 84% of the Halifax apartment units use natural gas. The commodity charge for natural gas in NS increased by 18% in Q1. NB gas consumption represented 18% of gas consumption in the quarter and the commodity charge increased 129% in Q1 compared to Q1-2013. Killam's Ontario assets represented the remaining natural gas consumption in the quarter.

Nova Scotia experienced less volatility in natural gas prices in Q1-2014 as the province's natural gas supplier had fixed a large portion of its consumption requirements for the year. In New Brunswick, Killam's natural gas supplier did not have fixed contracts in-place and was exposed to high volatility in the day markets, the cost of which is reflected in the spike in the NB commodity charges in Q1-2014. As shown in the preceding graph, pricing has come down in April following decreased demand in New England with warmer weather. Despite the pricing spike experienced in Q1, Management expects lower natural gas prices in NB than in NS throughout the rest of the year as costs in NS are fixed at rates above current market rates.

Killam's same store electricity costs were up 12.9% in the quarter. The electricity costs represent common area heating costs and a portfolio of electrically heated units with heat included as part of the rental agreement. The increased cost in Q1 of 12.9% resulting from higher electricity rates, colder weather and an increase in the number of units with electricity included. Killam has increased the number of units with electricity included at certain NB properties to compete with similar promotions offered by other apartment owners in the market. Rents are typically increased to offset this additional expense; however tenants are attracted to fixing the cost of electricity in their monthly rental payment.

Heating oil costs were up 13.6% during Q1 due to increased oil rates (up approximately 6% in the quarter) and colder temperatures.

Same store water expense increased by 3.7% quarter-over-quarter. Higher water rates in Halifax contributed to this increase, but were partially offset by water saving initiatives. Water costs as a percentage of revenue is expected to increase over the next year due to water rate increases in Halifax that became effective July 2013 and April 2014. Killam will continue to invest in water-saving initiatives to mitigate its exposure to these increased costs.

Same store property taxes increased 3.3% for the first three months of 2014, compared to the same period of 2013 due to increased assessment values attributed to the same store properties. Killam is optimistic that future realty tax increases will be modest given that Killam's portfolio now has current market value assessments.

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

Apartment Same Store NOI by City

Net revenue growth of 1.2%, offset by increased property operating expenses, has resulted in a decrease in same store apartment NOI of 7.7% for the three months ended March 31, 2014. The impact of high natural gas costs in Atlantic Canada and the colder than normal heating season, along with higher operating expenses in some regions, increased expenses $1.5 million, which more than offset the $0.3 million in additional net revenue achieved. Same store NOI results by city, as shown in the chart below, vary depending on changes in occupancy levels in each market and the higher heating costs experienced in all regions during the first three months of 2014.

Same Store NOI Results by City

For the three months ended March 31,

	2014	2013	$ Change	% Change
Halifax	**$6,980**	$7,445	$(465)	(6.2)%
Fredericton	**1,443**	1,659	(216)	(13.0)%
Moncton	**1,430**	1,551	(121)	(7.8)%
Ontario	**1,387**	1,326	61	4.6%
St. John's	**1,097**	1,110	(13)	(1.2)%
Charlottetown	**762**	808	(46)	(5.7)%
Saint John	**540**	908	(368)	(40.5)%
Other Atlantic locations	**517**	532	(15)	(2.8)%
	$14,156	$15,339	$(1,183)	(7.7)%

As the above chart highlights, the severe winter in Atlantic Canada, combined with a dramatic rise in utility and fuel expenses, resulted in a drop in NOI throughout Killam's portfolio in Q1-2014 versus the same quarter last year. Only Ontario showed positive NOI growth for this same period.

Halifax's NOI declined 6.2% for the first three months of 2014. Rental revenue was relatively flat as rental rate growth in Halifax was offset by increased vacancy. Expenses increased by $0.4 million (7.6%) in the quarter. Utility and fuel costs represented 62% of the increase while the remaining increases related to higher property tax assessments and advertising spend to target higher vacancy in this market.

Fredericton and Moncton both recorded negative NOI growth, 13.0% and 7.8%, respectively, for the three month period mostly due to higher utility and fuel costs, up $0.15 million and $0.13 million in the quarter, respectively.

Ontario achieved a 4.6% growth in NOI for Q1-2014 due to 410 bps increase in same store occupancy levels. An 8.5% increase in revenue was partially offset by higher utility costs due to higher consumption in the colder heating season.

St. John's and Charlottetown both also realized positive net revenue results in Q1-2014 but these were offset by higher utility and operating expenses. These higher costs were mostly attributable to the colder heating season and more snow accumulation in 2014, resulting in a 1.2% and 5.7%, decline in NOI, respectively.

Despite positive net revenue and increasing occupancy in Saint John, the NOI declined 40.5% during the first three months of 2014 due to the high price of natural gas. Most of Saint John's properties are heated with natural gas and as a result of the differential in pricing quarter-over-quarter, it incurred an additional $0.4 million in heating costs in Q1-2014.

Other Atlantic locations include seven properties in other cities in Atlantic Canada. These properties realized NOI decline of 2.8% in the first quarter of 2014 due to higher utility and fuel costs.

Killam expects to see modest positive gains in same store apartment NOI for the remainder of the year as occupancy continues to outperform 2013, natural gas pricing has improved and the majority of the heating season is complete.

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

MHC Results

For the three months ended March 31,

	Total Portfolio			Same Store			Non Same Store		
	2014	2013	% Change	**2014**	2013	% Change	**2014**	2013	% Change
Property revenue	**$2,898**	$4,282	(32.3)%	**$2,669**	$2,608	2.3%	**$229**	$1,674	(86.3)%
Property expenses									
Operating expenses	**(702)**	(975)	(28.0)%	**(696)**	(692)	0.6%	**(6)**	(283)	(97.9)%
Utility and fuel expenses	**(327)**	(539)	(39.3)%	**(325)**	(313)	3.8%	**(2)**	(226)	(99.1)%
Property taxes	**(149)**	(248)	(39.9)%	**(149)**	(132)	12.9%	**-**	(116)	(100.0)%
Total property expenses	**(1,178)**	(1,762)	(33.1)%	**(1,170)**	(1,137)	2.9%	**(8)**	(625)	(98.7)%
NOI	**$1,720**	$2,520	(31.7)%	**$1,499**	$1,471	1.9%	**$221**	$1,049	(78.9)%
Operating margin	**59.4%**	58.9%	0.8%	**56.2%**	56.4%	(0.4)%	**96.5%**	62.7%	53.9%

Killam's MHC business accounted for 10% of NOI from property operations during the three months ended March 31, 2014, compared to 14% in Q1-2013. Property revenue from the MHCs decreased 32.3% in Q1-2014 compared to Q1-2013 due to the sale of the ten NB MHC properties in November 2013.

The impact of this sale was partially offset by increased revenue at same store properties. Killam's MHC properties were 98.1% occupied at March 31, 2014, consistent with the occupancy at December 31, 2013, but 40 bps lower than the occupancy of 98.5% at March 31, 2013.

Same store MHC property revenue increased 2.3% for the three months ended March 31, 2014, compared to Q1-2013. This was a result of a 3.1% increase in weighted average rent per unit of $222, up from $215 in Q1-2013. Total same store property expenses increased by 2.9% in Q1-2014 due to higher water costs, timing of tax recoveries and marginal increases in operating expenses.

Same store revenue growth, combined with programs to minimize operating expenses, increased MHC same store NOI by 1.9% for the three months ended March 31, 2014. Operating margins have slightly decreased, by 20 bps, from Q1-2013.

Non same store revenues and expenses related to the NB MHC properties sold in November 2013 and a new Nova Scotia MHC purchased in December 2013, along with non-recurring revenue associated with the sale of vacant land in NS during Q1. The non same store segment generated $0.2 million in NOI in Q1-2014 and $1.0 million in Q1-2013.

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

PART IV

Other Income

Home Sales

For the three months ended March 31,

	2014	2013	% Change
Home sale revenue	**$446**	$420	6.2%
Cost of home sales	**(420)**	(344)	22.1%
Operating expenses	**(16)**	(17)	(5.9)%
Income from home sales	**$10**	$59	(83.1)%

Killam completed four home sales during both Q1-2014 and Q1-2013. Although the number of homes sold were consistent quarter-over-quarter, the margins were lower in Q1-2014 due to the locations in which the home sales occurred, as well as the decision to sell a long-standing, inventoried stock home at below cost in NS. This allowed for the recovery of over $80,000 in inventory costs and the elimination of utility costs for this stock home during the winter months. The Company does not anticipate selling any other homes below cost. However, local market conditions and age of inventoried stock homes will always play a factor in the pricing, and thus margin, of Killam's home sales.

The Company projects an additional 10-15 home sales for 2014, which will include a mix of new development sites and sales on current vacant lots throughout the MHC portfolio.

Equity Income

For the three months ended March 31,

	2014	2013	% Change
Equity income	**$168**	$128	31.3%

Equity income represents Killam's 25% interest in the net income of the joint venture that owns 180 Mill Street, Kanata Lakes and Silver Spear Apartments, all of which are located in Ontario.

Equity income increased quarter-over-quarter by 31.3% due to lower vacancy experienced in all three properties.

Corporate Income

For the three months ended March 31,

	2014	2013	% Change
Corporate income	**$178**	$234	(23.9)%

Corporate income includes property management fees and interest on bank accounts. The decrease quarter-over-quarter relates to less interest income earned on cash balances in Q1-2014 compared to Q1-2013. The Company held higher than normal cash balances throughout Q1-2013 due to the timing of a December 2012 equity raise and the subsequent deployment of those funds.

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

Fair Value Gains

For the three months ended March 31,

	2014	2013	% Change
Apartments	**$ -**	$4,148	(100.0)%
MHCs	**$ -**	95	(100.0)%
IPUC	**$ -**	48	(100.0)%
	$ -	$4,291	(100.0)%

There was no movement in market cap-rates during Q1-2014 and the effective weighted average cap-rate used to value the apartment properties decreased only 2 bps to 5.86% from December 31, 2013. All capital expenditures attributed to the investment properties during the quarter were absorbed in the properties' values and no fair value gains or losses were recorded in the three months ended March 31, 2014.

There were no changes in the effective weighted average cap-rate used to value the MHCs from December 31, 2013, resulting in no fair value gains or losses for the quarter. See further discussion on cap-rates in the "Investment Properties" section of the MD&A.

Other Expenses

Financing Costs

For the three months ended March 31,

	2014	2013	% Change
Mortgage and loan interest	**$7,221**	$7,262	(0.6)%
Amortization of fair value adjustments on assumed debt	**(127)**	(96)	32.3%
Convertible debenture interest	**1,683**	1,660	1.4%
Capitalized interest	**(167)**	(474)	(64.8)%
	$8,610	$8,352	3.1%

Financing costs increased $0.3 million, or 3.1% in the first quarter of 2014 compared to the same period in 2013 primarily due to the decrease in capitalized interest and the addition of mortgage debt associated with properties acquired and developed in 2013 and Q1-2014. This increase in financing costs is partially offset by refinancings at lower interest rates, as well as less interest costs relating to the MHCs sold in the fourth quarter of 2013.

Mortgage and loan interest expense on Killam's same store properties was $6.1 million in the first quarter of 2014, down from $6.5 million in 2013. As a percentage of property revenue, same store mortgage and loan interest expense was lower during the first quarter of 2014, at 19.5% compared to 20.8% in Q1-2013.

Killam manages interest rate risk by entering into fixed-rate mortgages and staggering the maturity dates, as well as entering into forward interest rate hedges. An annualized 100 basis point change in the interest rate on Killam's entire mortgage and vendor debt at March 31, 2014, would affect financing costs by approximately $7.2 million per year. However, only $142.3 million of Killam's fixed mortgage and vendor debt matures in the next twelve months. Assuming these mortgages are refinanced at similar terms, except at a 100 basis point increase in interest rates, financing costs would increase by $1.3 million per year. The Company's credit facility and operating facility are discussed on page 27 of the MD&A.

Capitalized interest decreased quarter-over-quarter as a result of four development projects ongoing in Q1-2013 compared to two in Q1-2014. Interest costs associated with development projects are capitalized to the respective development property until substantial completion is achieved.

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

Depreciation Expense

For the three months ended March 31,

	2014	2013	% Change
Total	**$145**	$139	4.3%

Depreciation expense relates to the Company's head office building, vehicles, heavy equipment and administrative office furniture, fixtures and computer equipment. Although the vehicles and equipment are used at various properties, they are not considered part of investment properties and are depreciated for accounting purposes. The increase quarter-over-quarter is a result of additions, which included vehicles, computer software and leasehold improvements.

Amortization of Deferred Financing Costs

For the three months ended March 31,

	2014	2013	% Change
Total	**$412**	$387	6.5%

Deferred financing amortization increased 6.5% as a result of refinancings, new debt placements on acquired properties and completed developments since Q1-2013. This was partially offset by the deferred financing costs related to ten NB MHC properties that were sold in November 2013.

Deferred financing costs include mortgage assumption fees, application fees and legal costs related to obtaining financing, and these costs are amortized over the term of the respective mortgage. CMHC insurance fees are amortized over the amortization period of the mortgage. The costs associated with the convertible debentures are amortized over the terms of the debentures.

Administration Expenses

For the three months ended March 31,

	2014	2013	% Change
Total	**$1,763**	$1,693	4.1%
As a percentage of total revenues	**5.0%**	5.1%	

Administration expenses include expenses which are not specific to an individual property. These expenses include 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.

Administrative expenses as a percentage of revenues decreased 10 basis points quarter-over-quarter. Management targets annualized administrative costs at approximately 6.0% of total revenues.

Deferred Tax Expense

The Company has booked future income tax expense for the three months ended March 31, 2014, and 2013. Killam is not currently cash taxable and does not expect to pay significant cash taxes in the near future as the Company has the ability to claim CCA deductions to reduce taxable income. Based on the assumption that the Company does not add to its asset base, Management estimates that it would become cash taxable in three to five years.

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

PART V

Funds from Operations

FFO is recognized as an industry-wide standard measure for real estate entities' operating performance, and Management considers FFO per share to be a key measure of operating performance. The calculation of FFO includes adjustments specific to the real estate industry applied against net income to calculate a supplementary measure of performance that can be compared with other real estate companies and real estate investment trusts. 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. FFO does not have a standardized meaning under IFRS and therefore may not be comparable to similarly titled measures presented by other public companies. Killam calculates FFO in accordance with the REALpac definition as follows:

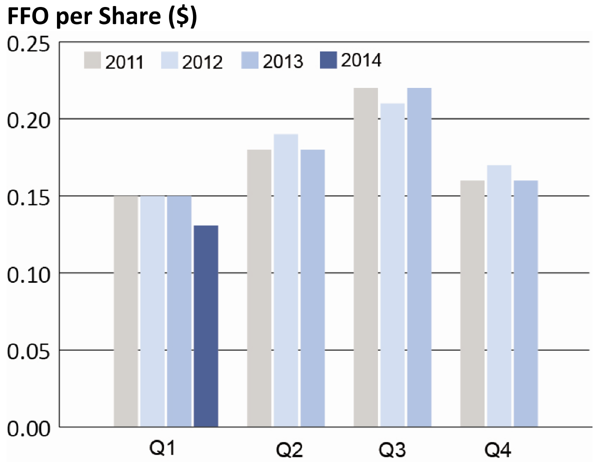
For the three months ended March 31,

	2014	2013	% Change
Net income	**$5,055**	$9,381	(46.1)%
Fair value gains	**-**	(4,291)	(100.0)%
Non-controlling interest (before tax and gains)	**(258)**	(242)	6.6%
Deferred tax expense	**2,085**	2,926	(29)%
Depreciation on owner-occupied building	**39**	38	2.6%
Gain on disposition	**(94)**	-	N/A
FFO	**$6,827**	$7,812	(12.6)%
FFO/share - basic	**$0.13**	$0.15	(13.3)%
FFO/share - diluted	**$0.12**	$0.14	(14.3)%
Weighted average shares- basic (000's)	**54,606**	53,874	1.4%
Weighted average shares - diluted (000's) [1]	**54,896**	54,261	1.2%

(1) The calculation of weighted average shares outstanding for diluted FFO and AFFO purposes excludes the convertible debentures as they are anti-dilutive.

Killam earned FFO of $6.8 million, or $0.13 per share, during Q1-2014 compared to $7.8 million, or $0.15 per share, during Q1-2013. This $1.2 million decrease in FFO is primarily attributable to a 6.9% decrease in same store NOI ($1.2 million) due to higher operating costs, a reduction in MHC earnings following the portfolio sale in November 2013 ($0.6 million) and a reduction in capitalized interest associated with development projects ($0.5 million). These decreases in FFO were partially offset by earnings attributable to acquisitions ($0.6 million), developments ($0.1 million) and interest rate savings ($0.3 million). The reduction in FFO relating to the MHC sale is expected to be short-term as Killam is actively redeploying the net cash realized on the sale and debt repayment.

FFO per Share ($)



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

Adjusted Funds From Operations

AFFO is a supplemental measure used by real estate analysts and some investors to represent FFO after taking into consideration the capital spend related to maintaining the earnings capacity of a portfolio versus NOI enhancing capital investments. AFFO is a non-IFRS measure and 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.

In order to provide investors with information to assist in assessing the Company's payout ratio, Management has calculated AFFO using the industry standard of $450 per apartment unit. The MHC industry does not have a standard amount for "maintenance" related capital expenditures. Management has assumed $100 per MHC site as a reasonable estimate of non-NOI enhancing capital expenditures per MHC site. The weighted average number of rental units owned during the year was used to determine the capital adjustment applied to FFO to calculate AFFO.

For the three months ended March 31,

	2014	2013	% Change
Funds from operations	**$6,827**	$7,812	(12.6)%
Maintenance Capital Expenditures			
Apartments	**(1,378)**	(1,255)	9.8%
MHCs	**(129)**	(185)	(30.3)%
Adjusted funds from operations	**$5,320**	$6,372	(16.5)%
AFFO/ share - basic	**$0.10**	$0.12	(16.7)%
AFFO/ share - diluted	**$0.10**	$0.12	(16.7)%
AFFO payout ratio - basic(1)	**154%**	123%	25.2%
AFFO payout ratio - rolling 12 months(2)	**100%**	97%	3.1%

(1) Based on Killam's annualized dividend of $0.58 for Q1-2013 and $0.60 for Q1-2014.
(2) Based on weighted average dividend of $0.585 for the rolling 12-month period ending March 31, 2014.

The basic AFFO payout ratio of 154% for the three months ended March 31, 2014, is higher than 2013 due to the increased monthly dividend distribution and lower FFO earned in the quarter, primarily attributable to higher heating costs during the 2014 winter. A high payout ratio in Q1 corresponds with the seasonality of Killam's business. Killam's first quarter typically has the lowest AFFO per share of the year due to heating costs in the winter months. The AFFO payout ratio will typically be lower in the remaining quarters with the third quarter being the lowest due to lower operating costs.

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

PART VI

Investment Properties

As at,

	March 31, 2014	December 31, 2013	% Change
Investment properties	**$1,475,847**	$1,451,743	1.7%
Investment properties under construction ("IPUC")	**29,427**	24,373	20.7%
	$1,505,274	$1,476,116	2.0%

Continuity of Investment Properties

The following table summarizes the changes in value of Killam's investment properties for the three months ended March 31, 2014 and 2013.

As at and for the three months ended March 31,

	2014	2013
Balance, beginning of period	**$1,451,743**	$1,296,724
Acquisition of properties	**19,983**	33,047
Disposition of properties	**(40)**	-
Transfer from IPUC	**-**	7,776
Capital expenditures	**4,161**	3,343
Fair value adjustments	**-**	4,243
Balance, end of period	**$1,475,847**	$1,345,133

The key valuation assumption used to determine the 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, 2014, December 31, 2013, and March 31, 2013, as provided by Killam's external valuator, are as follows:

Capitalization Rates

	March 31, 2014			December 31, 2013			March 31, 2013		
	Low	**High**	**Effective Weighted Average**	Low	High	Effective Weighted Average	Low	High	Effective Weighted Average
Apartments	**4.50%**	**8.00%**	**5.86%**	4.50%	8.00%	5.88%	4.50%	8.00%	5.97%
MHCs	**6.00%**	**8.25%**	**6.86%**	6.00%	8.25%	6.86%	6.50%	8.50%	7.03%

As highlighted in the above chart, the effective weighted average cap-rate used to value the apartment properties decreased by 11 bps from Q1-2013 to Q1-2014, generating an increased valuation for some properties since March 31, 2013. In the first quarter of 2014, there were no movement in cap-rates for the Company's properties compared to December 31, 2013. The effective weighted average cap-rate change for apartments was only 2 bps to 5.86% from December 31, 2013, resulting from the addition of three new properties to the portfolio. The effective weighted average cap-rate used to value the MHCs decreased 17 bps from March 31, 2013, and there was no change from the cap-rates used at December 31, 2013.

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

A sensitivity analysis of all significant assumptions is shown below:

Class of property	Cap-rate		Vacancy rate(1)	Management fee rate(1)
	10 basis points increase	*10 basis points decrease*	*1% increase/ decrease in vacancy*	*1% increase/ decrease in management fee*
Apartments	$(22,918)	$23,346	$19,422	$22,200
MHCs	$(1,660)	$1,709	$1,483	$1,932

(1) If the 1% change is an increase in the noted vacancy or management fee, the impact would result in a decrease in value. Alternatively, a decrease in the vacancy or management fee would result in an increase in value.

2014 Acquisitions - Investment Properties

Property	Location	Acquisition Date	Year Built	Units	Purchase Price(1)
Apartments					
65 Bonaccord Street	Moncton	21-Feb-14	2004	35	$3,925
50 Selkirk Street(2)	Ottawa	14-Mar-14	1959	75	6,893
350 Mayfield Avenue(2)	Ottawa	14-Mar-14	1959	61	5,607
					$16,425
Other					
36 Kelly Street(3)	Halifax	15-Jan-14			$1,577
1335 Hollis Street(4)	Halifax	28-Feb-14			1,542
					$3,119
Total Acquisitions					**$19,544**

(1) Purchase price on acquisition does not include transaction-related costs.
(2) Acquired as a portfolio.
(3) Acquired the land at 36 Kelly Street that the Company previously leased.
(4) 1335 Hollis Street is a 4-unit residential dwelling purchased for future redevelopment potential.

Investment Properties Under Construction

For the three months ended March 31,

	2014	2013
Balance, beginning of period	**$24,373**	$57,941
Capital expenditures	**4,909**	8,454
Interest capitalized	**145**	474
Land acquisitions	-	5,447
Transfers to investment properties	-	(7,776)
Fair value gains	-	48
Balance, end of period	**$29,427**	$64,588

During Q1-2014 Killam invested $4.2 million in Chelsea Place, a 102-unit development in St. John’s, and Saginaw Gardens, a 122-unit development in Cambridge, Ontario. Chelsea Place is expected to cost $21.4 million and is anticipated to be completed during Q3-2014. Saginaw Gardens is expected to cost $25.3 million and is anticipated to be completed during Q2-2015.

Killam has hired third-party project managers for each of the projects and has fixed the majority of construction costs. Both projects are on budget and on schedule, and are expected to earn all-cash yields of approximately 6.0%. This is an estimated 100 to 150 basis point premium over the yield anticipated with the acquisition of similar quality assets. The remaining cash required to finish both projects is expected to come from construction financing, with Killam already having met its equity requirements on each project. Fixed rate mortgages will be placed on the development properties once they have been completed and substantially leased.

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

Capital Improvements

Killam invests capital to maintain and improve the operating performance of its properties. During the three months ended March 31, 2014, Killam invested a total of $4.2 million in its portfolio, compared to $3.3 million for the same period in 2013.

For the three months ended March 31,

	2014	2013	% Change
Apartments	**$3,934**	$2,630	49.6%
MHCs	**223**	713	(68.7)%
Other	**4**	-	N/A
	$4,161	$3,343	24.5%

Apartments - Capital Spend

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

For the three months ended March 31,

	2014	2013	% Change
Building improvements	**$1,483**	$1,314	12.9%
Suite renovations	**1,965**	1,003	95.9%
Land improvements	**-**	2	(100.0)%
Boilers and heating equipment	**70**	37	89.2%
Appliances	**281**	204	37.7%
Parking lots	**13**	-	N/A
Equipment	**63**	43	46.5%
Other	**59**	27	118.5%
Total capital spend	**$3,934**	$2,630	49.6%
Average number of units outstanding	**12,688**	11,736	8.1%
Capital spend per unit	**$310**	$224	38.4%

Killam estimates that $450 per unit of the annual capital spend relates to maintenance capital, and the remainder relates to value enhancing upgrades. Maintenance capital varies with market conditions and relates to investments that are not expected to lead to an increase in NOI, or increased efficiency, of a building; however, it is expected to extend the life of a building. Examples of maintenance capital include roof and structural repairs and are in addition to regular repairs and maintenance costs that are expensed to NOI. Value enhancing upgrades are investments in the properties that are expected to result in higher rents and/or increased efficiencies. This includes unit and common area upgrades and energy investments, such as natural gas conversions.

Killam spent $310 per unit for the three months ended March 31, 2014, compared to $224 per unit for the three months ended March 31, 2013. Approximately 50% of the capital spend during the quarter was invested in suite renovations. The increase quarter-over-quarter was a result of unit upgrades to improve quality, increase occupancy and increase yields on properties identified for repositioning.

The Company continues to reposition properties that show significant value creation opportunities by upgrading suites and generating increased NOI through higher rents. As examples, the Company continues to reposition such assets as the Brentwood Apartments in Halifax, as well as the Ottawa portfolio acquired in 2012. Increases in rent of 15% or greater are being realized on Brentwood upgrades, and occupancy gains of over 1,200 bps have been realized in the Ottawa portfolio since Q1-2013. The Company has identified additional properties in the Atlantic region and Ontario for repositioning, and will continue to invest in upgrades where these higher yields can be achieved.

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

The timing of capital spending is influenced by tenant turnover, market conditions, and individual property requirements, causing variability. In addition, the length of time that Killam has owned a property and the age of the property also influences capital requirements.

Value-enhancing capital improvements increase the operating effectiveness and profitability of Killam's apartment portfolio and the Company expects to invest approximately $24 million during 2014 on portfolio capital investments.

MHCs - Capital Spend

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

For the three months ended March 31,

	2014	2013	% Change
Water & sewer upgrades	**$98**	$616	(84.1)%
Roads and paving	**25**	-	N/A
Equipment	**-**	2	(100.0)%
Other	**65**	37	75.7%
Site expansion and land improvements	**35**	58	(39.7)%
Total capital spend - MHCs	**$223**	$713	(68.7)%
Average number of units outstanding	**5,164**	7,407	(30.3)%
Capital spend per unit	**$43**	$96	(55.2)%

Management expects to spend between $300 and $400 in capital per MHC site on an annual basis. As with the apartment portfolio, a portion of the MHC capital is considered maintenance capital and a portion is value enhancing. Management estimates that $100 per unit is maintenance capital, including costs to support the existing infrastructure, and the remaining amount increases the value of the properties, with improved roadways, ability to accommodate future expansion, and community enhancements, such as the addition of playgrounds. The cost of most capital projects will be recovered through above-guideline increases in the provinces with rent control, leading to increased NOI for the investment.

For the three months ended March 31, 2014, Killam invested $0.2 million on capital expenditures compared to $0.7 million in Q1-2013 primarily due to the decrease in MHC properties with the sale of the ten NB MHCs in November 2013, and a reduction in water and sewer system upgrades. Per unit costs quarter-over-quarter have decreased with fewer projects during the 2014 winter season. Capital work fluctuates from year-to-year with only $67 per unit invested in Q1-2012.

As with the apartment portfolio, the timing of capital investment changes based on requirements at each community. Killam expects to invest up to $2 million during 2014 on capital improvements across the MHC portfolio.

Liquidity and Capital Resources

The Company's sources of capital are cash generated from operating activities, credit facilities, mortgage financing and refinancing, and equity and debt issuances. The Company's primary use of capital includes property acquisitions and developments, major property improvements, recurring property maintenance, debt principal and interest payments, and payment of dividends. The Company anticipates meeting all current and future obligations with current cash and cash equivalents, cash flow generated from operations and conventional mortgage refinancing and that the Company will be able to obtain financing on reasonable terms.

As at March 31, 2014, Killam had $11.6 million of cash on hand. This cash balance along with $28.2 million of unencumbered assets and access to credit facilities, represents access to funds for acquisitions and development of approximately $28.5 million. Based on an assumed 60% mortgage debt, this capital is expected to support acquisitions of approximately $71.3 million, allowing Killam to meet its acquisition target of $75 million for the year. The Company also has $103.5 million in debt maturing during the remainder of 2014 and expects to generate approximately $41.0 million in surplus cash to be used for its 2014 capital program and to fund additional acquisitions throughout the year.

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

Mortgages and Other Loans

Below are Killam's key debt metrics:

As at,

	March 31, 2014	December 31, 2013	% Change
Weighted average years to maturity of mortgage and vendor debt (years)	**4.0**	3.9	2.6%
Gross mortgage, loan and vendor debt as a percentage of total assets	**45.6%**	45.6%	- %
Total debt as a percentage of total assets	**52.9%**	52.9%	- %
Interest coverage ratio	**2.05x**	2.08x	(1.4)%
Debt service coverage ratio	**1.32x**	1.34x	(1.5)%
Weighted average interest rate of mortgage and vendor debt	**3.93%**	4.05%	12 bps
Weighted average interest rate of total debt	**4.27%**	4.38%	11 bps

The Company's long-term debt consists largely of fixed rate, long-term mortgage financing. In certain cases the Company will also utilize vendor take-back ("VTB") mortgages as part of an acquisition. Mortgages are secured by a first or second charge against the individual properties and the vendor financing is secured by a general corporate guarantee.

As at March 31, 2014, only the construction financing loans of $15.7 million and four demand loans, totaling $3.9 million, had floating interest rates. The construction financing has floating interest rates between prime to prime plus 1.0% and the demand loans carry an interest rate of prime plus 1.0% to 2.0%. Once construction has been completed and rental targets achieved, the construction loans will be repaid in full and converted into conventional mortgages.

Killam's March 31, 2014 weighted average interest rate on mortgages and vendor debt improved to 4.27% compared to 4.38% as at December 31, 2013, as a result of refinancings at lower interest rates during the period. This trend is expected to continue throughout the remainder of 2014 with $29.6 million of mortgages already refinanced in Q2-2014, and another $73.9 million of mortgages to be refinanced in subsequent months (totalling 14% of the portfolio). By December 31, 2016, an additional $210 million, or 29% of the Company's mortgage balance, will be refinanced and the weighted average years to maturity lengthened. Management expects to refinance at lower rates than its weighted average interest rate on maturing debt in 2014 and 2015. The opportunity to refinance at lower interest rates should lead to increased earnings.

Total debt as a percentage of total assets remained consistent at 52.9% compared to December 31, 2013. Management expects to maintain the percentage of debt to total assets between 55% and 65%. This ratio is sensitive to changes in the fair value of investment properties, in particular cap rate changes. A 10 basis point increase in the weighted average cap-rate at March 31, 2014, would have increased the ratio of debt as a percentage of total assets by 90 bps.

Refinancings

During the three months ended March 31, 2014, Killam refinanced the following mortgages:

	Mortgage Debt Maturities		Mortgage Debt on Refinancing		Weighted Average Term	Net Proceeds
Apartments	$36,757	4.35%	$52,894	2.71%	5.1 years	$16,137
MHCs	-	- %	-	- %	-	-
	$36,757	4.35%	$52,894	2.71%	5.1 years	$16,137

Subsequent to March 31, 2014, the Company refinanced $29.6 million of maturing apartment debt for new mortgage debt of $38.2 million, yielding net proceeds of $8.6 million. The previous weighted average interest rate was 4.36% on the six maturing mortgages. A mix of 5-year and 10-year debt was placed on the properties with new weighted average interest rates of 2.61% and 3.46%, respectively. In addition, the Company also placed $7.9 million in new financing on two unencumbered properties, at a weighted average interest rate of 3.44%, both for 10-year terms.

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

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

	Apartments			MHCs		**Total**	
Year of Maturity	Balance March 31, 2014	Weighted Avg Int. Rate %	% CMHC Insured	Balance March 31, 2014	Weighted Avg Int. Rate %	**Balance March 31, 2014**	**Weighted Avg Int. Rate %**
2014	89,955	4.57	43.2	13,523	5.63	103,478 (1)	4.71
2015	89,222	4.47	69.1	4,198	5.19	93,420	4.50
2016	113,798	4.18	53.5	3,251	5.09	117,049	4.21
2017	27,143	3.14	100.0	17,897	4.64	45,040	3.74
2018	77,854	3.72	50.6	13,318	4.34	91,172	3.81
2019	101,048	3.10	95.3	-	-	101,048	3.10
2020	19,728	4.09	100.0	-	-	19,728	4.09
2021	23,569	3.79	88.8	-	-	23,569	3.79
2022	24,350	3.16	100.0	-	-	24,350	3.16
Thereafter	97,786	3.49	100.0	-	-	97,786	3.49
	$ 664,453	3.86	73.3	$ 52,187	4.89	$716,640	3.93

(1) Includes $2.1 million related to a demand loan classified as current.

As at March 31, 2014, approximately 73% of the Company's apartment mortgages were CMHC insured (67% of all mortgages as MHC properties are not eligible for CMHC insurance) (December 31, 2013 – 72% and 67%). The weighted average interest rate on the CMHC insured mortgages was 3.49% as at March 31, 2014 (December 31, 2013– 3.67%).

Access to mortgage debt is essential in financing future acquisitions and in refinancing maturing debt. Management has intentionally diversified Killam's mortgages to avoid dependence on any one lending institution and has staggered the maturity dates of its mortgages to manage interest rate risk. Management anticipates continued access to mortgage debt for both new acquisitions and refinancings. Access to CMHC insured financing gives apartment owners an advantage over other asset classes as lenders are provided a government guarantee on the debt and therefore are able to lend at more favourable rates.

The following table presents the NOI of properties that are available to Killam to refinance at debt maturity for the remainder of 2014 and for 2015. With $196.9 million in mortgages maturing through 2015, Management is evaluating opportunities to fix interest rates before maturity to lock in savings on refinancings. To manage the interest rate risk, the Company entered into a fixed forward interest rate swap contract on March 7, 2014, partially hedging the exposure to changes in future borrowing rates related to two anticipated mortgage refinancings. The effective date of the hedge is October 1, 2014. The fixed interest rate on the 5-year forward swap is 2.36%, while the total notional amount of the mortgage debt subject to the interest rate hedge is $15.0 million. Based on the current market, Management estimates a 3.0% five-year mortgage interest rate. The Company expects to continue to evaluate opportunities to fix interest rates before maturity to lock in savings on refinancings.

2014	**Number of Properties**	**NOI**	**Principal Balance (at maturity)**
Apartments with debt maturing in 2014	33	$10,355	$88,832
MHCs with debt maturing in 2014	7	2,118	13,278
2014 debt maturities	40	$12,473	$102,110
2015			
Apartments with debt maturing in 2015	33	$11,993	$86,474
MHCs with debt maturing in 2015	4	765	4,652
2015 debt maturities	37	$12,758	$91,126

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

Future Contractual Debt Obligations

At March 31, 2014, the timing of the Company's future contractual debt obligations are as follows:

For the twelve months ended March 31,	Mortgage and loans payable	Construction loans	Convertible debentures	**Total**
2015	$145,346	$15,667	$-	**$161,013**
2016	106,204	-	-	**106,204**
2017	107,658	-	-	**107,658**
2018	67,080	-	57,500	**124,580**
2019	111,120	-	46,000	**157,120**
Thereafter	182,310	-	-	**182,310**
	$719,718	$15,667	$103,500	**$838,885**

Debentures

The Company’s $57.5 million convertible unsecured subordinated debentures mature November 30, 2017, bear interest at 5.65% and are convertible, at the holders’ option, to common shares at a price of $13.40. The debentures are redeemable at the option of the Company after November 30, 2013, and on or before November 30, 2015, provided that the current market price of the common shares of the Company on the date on which the notice of redemption is given is not less than 125% of the conversion price. After November 30, 2015, the debentures are redeemable at face value. Upon maturity or redemption, the Company may elect to repay all or any portion of the debentures outstanding by issuing the number of common shares obtained by dividing the aggregate of the principal amount of the debentures that have matured or are being redeemed by 95% of the weighted average market price of the common shares for the preceding 20 days (ending 5 days preceding the fixed date for redemption or maturing).

The Company’s $46.0 million convertible unsecured subordinated debentures mature June 30, 2018, bear interest at 5.45% and are convertible, at the holders’ option, to common shares at a price of $14.60. The debentures are redeemable at the option of the Company after June 30, 2014, and on or before June 30, 2016, provided that the current market price of the common shares of the Company on the date on which the notice of redemption is given is not less than 125% of the conversion price. After June 30, 2016, the debentures are redeemable at face value. Upon maturity or redemption, the Company may elect to repay all or any portion of the debentures outstanding by issuing the number of common shares obtained by dividing the aggregate of the principal amount of the debentures that have matured or are being redeemed by 95% of the weighted average market price of the common shares for the preceding 20 days (ending 5 days preceding the fixed date for redemption or maturing).

Construction Loans

As at March 31, 2014, the Company had access to two floating rate non-revolving demand construction loans totaling $30.0 million for the purpose of financing the development of IPUC. Payments are made monthly on an interest-only basis. The construction loans have interest rates ranging from prime to prime plus 1%. Once construction has been completed and rental targets achieved, the construction loans will be repaid in full and converted into conventional mortgages. As at March 31, 2014, $15.7 million (December 31, 2013 - $14.8 million) was drawn at a weighted average interest rate of 3.76% (December 31, 2013 - 3.75%).

Credit Facility

The Company has a credit facility with a major financial institution, which consists of a $2.0 million revolving demand facility that can be used for the Company’s acquisition program and general business purposes. The interest rate on the debt is prime plus 125 bps on prime rate advances or 225 bps over Banker’s Acceptances (BAs). Killam has the right to choose between prime rate advances and BAs based on available rates and timing requirements. At March 31, 2014, the Company had assets with a fair value of $1.7 million pledged to the line and had a balance outstanding of $Nil (December 31, 2013 - $Nil).

Operating Facility

An operating facility which consists of a $1.0 million revolving demand facility for general business purposes, bearing interest at the lender’s prime rate plus 1%. As at March 31, 2014, the Company had letters of credit totaling $0.5 million outstanding against this facility (December 31, 2012 - $0.5 million). The agreement includes certain covenants and undertakings of which the Company is in compliance.

Shareholders' Equity

For the three months ended March 31, 2014, 102,500 stock options were exercised for common shares and cash proceeds to the Company of $0.6 million. There were also 2,733 restricted share units redeemed for common shares during the quarter. Killam pays a dividend of $0.05 per share per month ($0.60 per share annualized).

The Company's Dividend Reinvestment Plan ("DRIP") allows shareholders to elect to have all cash dividends from the Company reinvested in additional common shares. Shareholders who participate in the DRIP receive an additional dividend of common shares equal to 3% of each cash dividend that was reinvested. The price per share is calculated by reference to the ten day volume weighted average price of the Company's common shares on the Toronto Stock Exchange preceding the relevant dividend date, which typically is on or about the 15th day of the month following the dividend declaration. For the three months ended March 31, 2014, the Company issued 64,575 common shares under the DRIP with a value of $0.6 million (March 31, 2013 – 74,715 common shares with a value of $0.9 million). For the three months ended March 31, 2014, the average DRIP participation rate was 7% (three months ended March 31, 2013 - 12%).

In addition, the Company issued 75,330 shares during Q1-2014 related to a Q4-2013 acquisition (50 Roy Boates Avenue).

PART VII

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 found in Killam's 2013 Annual Report and Annual Information Form filed on SEDAR. These factors still exist at the end of this interim period and remain relatively unchanged.

Critical Accounting Policies and Significant Accounting Judgments, Estimates and Assumptions

The Company's accounting policies are described in Note 2 of the consolidated financial statements found in Killam's 2013 Annual Report.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions. The significant areas of judgments, estimates and assumptions are set out in Note 3 of the consolidated financial statements found in Killam's 2013 Annual Report. The most significant estimates relate to the fair value of investment properties and deferred taxes.

During the most recent interim period, the Company entered into a forward interest rate hedge with a major Canadian financial institution and also applied IFRIC 21 as disclosed by Note 2(c) and Note 2(d) of the unaudited condensed consolidated financial statements. Except for the accounting policy and the application of the new interpretation mentioned above, there have been no changes to the Company's policies or procedures and the other processes, that materially affected, or are reasonably likely to materially affect, the Company's accounting judgments, estimates and assumptions.

Disclosure Controls and Procedures and Internal Controls

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, does not expect that the Company'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 the Company have been detected. During the most recent interim period, there have been no changes in the Company's policies or procedures and other processes that have materially affected, or are reasonable likely to materially affect, the Company's internal control over financial reporting.

Subsequent Events

On April 17, 2014, the Company announced a dividend of $0.05 per share, payable on May 15, 2014, to shareholders of record on April 30, 2014.

On April 15, 2014, Killam acquired an 83-unit apartment building in Halifax, NS. The purchase price of $18.6 million was funded with a new ten-year CMHC insured mortgage of $13.0 million at 3.5% and the balance with cash.