TABLE OF CONTENTS

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 condensed consolidated interim financial statements and pertains to known risks and uncertainties. This MD&A should be read in conjunction with material contained in Killam Apartment Real Estate Investment Trust's audited consolidated financial statements for the years ended December 31, 2016, and 2015, 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 2016 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 4, 2017. This MD&A has been reviewed and approved by Management and the Board of Trustees.

Declaration of Trust

The investment guidelines and operating policies of Killam are outlined in Killam's Amended and Restated Declaration of Trust (the "DOT") dated as of November 27, 2015, a copy of which is available on SEDAR (www.sedar.com). Some of the principal investment guidelines and operating policies set out in the DOT are as follows:

Investment guidelines
- Acquire, hold, develop, maintain, improve, lease and manage income producing real estate properties;
- No investment will be made that would disqualify Killam as a "mutual fund trust" or a "unit trust" as defined within the *Income Tax Act* (Canada);
- Investments in joint ventures, partnerships (general or limited) and limited liability companies are permitted; and,
- Investments in land for development that will be capital property for Killam are permitted.

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" as defined within the *Income Tax Act* (Canada) are not permitted; and,
- Killam must maintain at all times property insurance coverage in respect of potential liabilities of the Trust.

At March 31, 2017, Killam was in compliance with all investment guidelines and operating policies stipulated in the DOT.

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 (loss) or cash flow from operating activities determined in accordance with IFRS as indicators of Killam's performance or sustainability of its distributions. These measures do not have a standardized meaning under IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies.

- Funds from operations ("FFO"), and applicable per unit amounts, are calculated by Killam as net income plus depreciation on owner-occupied building, fair value losses, interest expense related to exchangeable units, loss on disposition, deferred tax expense and REIT conversion costs, less fair value gains, deferred tax recovery, unrealized gain on derivative liability and non-controlling interest. FFO are calculated in accordance with the REALpac definition, except for the add-back of REIT conversion costs as noted above; REALpac does not address this specific type of adjustment.
- Adjusted funds from operations ("AFFO"), and applicable per unit amounts and payout ratios, are calculated by Killam as FFO less $970 per apartment unit for maintenance capital costs and $225 per MHC site, which represent a reserve based on three-year historical average of capital spend to maintain and sustain Killam's properties and MHC sites. AFFO are 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, loss on disposition, income taxes, interest, depreciation and amortization.

  Interest coverage is calculated by dividing earnings before interest, tax, depreciation, gain or loss on disposition and fair value adjustments by interest expense adjusted for interest expense related to exchangeable units.
- Debt service coverage is calculated by dividing the earnings before interest, tax, depreciation, gain or loss on disposition and fair value adjustments by interest expense adjusted for interest expense related to exchangeable units and principal mortgage repayments.
- Same property results in relation to Killam are revenues and property operating expenses for stabilized properties Killam has owned for equivalent periods in 2017 and 2016 (97% of the portfolio based on the March 31, 2017 unit count).

PART II

Key Performance Indicators ("KPIs")

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

1) FFO per Unit – A standard measure of earnings for real estate entities. Management is focused on growing FFO per unit.
2) Payout Ratio – This ratio is not meant to be a measure of the sustainability of Killam's distributions. Although Killam's expectation is to continue to sustain and grow distributions, the actual amount of distributions will depend up on various factors, including, but not limited to, earnings, debt repayments and refinancings, capital investments, and other factors that may be beyond the control of the REIT.
3) Rental Increases – Management expects to achieve increases in average annual rental rates and tracks the average rate increases achieved.
4) Occupancy – Management is focused on maximizing occupancy while also managing the ability to earn higher rents. This measure is a percentage based on the amount of revenue lost to vacancy divided by gross potential residential rent (in dollars) of properties for the period.
5) Same Property NOI Growth – 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.
6) Weighted Average Interest Rate of Mortgage Debt and Total Debt – Killam monitors the weighted average cost of its mortgage debt and total debt.
7) Debt to Total Assets – Killam's primary measure of its leverage is debt as a percentage of total assets. Killam's DOT operating policies outline that its overall indebtedness is to not exceed 70% of total assets. Debt to total assets is calculated by dividing total interest bearing debt by total assets.
8) Weighted Average Years to Maturity – Management monitors the average number of years to maturity on Killam's debt.
9) 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.
10) 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.

Financial and Operational Highlights

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

For the three months ended March 31,

Operating Performance	2017	2016	Change (2)
Property revenue	**$44,305**	$42,207	5.0%
Net operating income ("NOI")	**$24,942**	$23,430	6.5%
Net income	**$17,650**	$45,167	(60.9%)
FFO (1)	**$13,666**	$11,509	18.7%
FFO per unit (diluted)	**$0.19**	$0.18	5.6%
AFFO per unit (diluted) (4)	**$0.14**	$0.13	7.7%
Weighted average number of units outstanding (diluted) (000s)	**73,372**	63,185	16.1%
AFFO payout ratio - rolling 12 months (4)	**90%**	100%	(1,000) bps
Portfolio Performance			
Same property NOI	**$23,173**	$22,772	1.8%
Same property NOI margin	**55.9%**	55.7%	20 bps
Same property apartment weighted average rental increase (3)	**1.5%**	1.3%	20 bps
Same property apartment occupancy	**95.5%**	95.7%	(20) bps

As at	March 31, 2017	December 31, 2016	Change
Leverage Ratios			
Total debt to total assets	**51.9%**	53.5%	(160) bps
Weighted average mortgage interest rate	**3.00%**	3.01%	(1) bps
Weighted average years to debt maturity (years)	**4.3**	4.3	—
Debt service coverage (1)	**1.45x**	1.43x	2 bps
Interest coverage (1)	**2.82x**	2.74x	8 bps

(1) FFO, AFFO, debt service coverage ratio and interest coverage ratio 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) Quarter-over-quarter, as at March 31.

(4) AFFO calculation revised in Q1-2017, and adjusted for Q1-2016, based on the issuance of the new REALpac white paper on AFFO. Refer to Part V of the MD&A for additional disclosure.

Summary of Q1-2017 Results and Operations

FFO per Unit Growth of 5.6%

Killam generated FFO per unit of $0.19 in Q1-2017, 5.6% higher than the $0.18 generated in Q1-2016. FFO growth was attributable to a 1.8% increase in same property NOI, interest expense savings on mortgage refinancings and the repayment of the $57.5 million convertible debentures in July 2016, and contributions from developments and acquisitions. This growth was partially offset by a 16.1% increase in the weighted average number of units outstanding following the equity raises completed in June 2016 and March 2017.

Higher Rents Result in Same Property Revenue Growth

Killam achieved consolidated same property revenue growth of 1.4% in Q1-2017. Increased rents were slightly offset by a 20 bps decrease in same property occupancy. Four of Killam's core markets achieved above average revenue growth, including Charlottetown, Moncton, Fredericton, and Halifax, up 3.4%, 2.1%, 1.9%, and 1.6%, respectively.

Killam's Halifax portfolio also achieved above average same property rental rate growth of 2.2%. Halifax, representing 38% of Killam's Apartment NOI, is a strong rental market, benefiting from economic growth, urbanization and strong demand for rental apartments from an older demographic transitioning from homeownership to apartment rental.

Same Property NOI up 1.8%; Driven by Strong 8% Growth in Halifax from Utility Savings

Killam's same property expenses increased a modest 0.9% in Q1-2017, contributing to the 1.8% increase in same property NOI. A reduction in the pricing of natural gas in Nova Scotia, quarter over quarter, resulted in savings of $0.6 million, driving same property NOI growth of 8.0% for Halifax in Q1-2017.

Property operating expenses in Killam's other core markets increased quarter over quarter. Efficiencies from energy and water reduction initiatives were offset by higher natural gas and oil costs. The increase in operating costs was attributable to increased insurance premiums, higher period over period snow removal costs following the warmest winter on record in Q1-2016, and increases in other contract services and property tax expense.

$77 Million Equity Raise Supports Acquisitions and Strengthened Balance Sheet

Killam completed a $77.0 million equity raise on March 13, 2017, issuing 6,088,500 Trust Units at a price of $12.65 per unit. The net proceeds from the offering were used to fund Killam's remaining 50% interest in Kanata Lakes apartments, after placement of debt, for approximately $17.0 million and fund the redemption of Killam's $46.0 million, 5.45% convertible debentures. The debentures were redeemed subsequent to quarter end on April 13, 2017, further strengthening Killam's balance sheet. Subsequent to the redemption of the debentures, Killam's debt to gross book value is expected to be reduced to 50.9%, compared to 51.9% as at March 31, 2017.

$63.1 Million of Acquisitions

Killam completed $63.1 million of acquisitions during Q1-2017 including a 50% interest in the remaining two buildings of the Kanata Lakes apartment development for $49.2 million. Killam now owns 50% of each of the five buildings, totaling 741 units, known as William's Court in Ottawa. Killam also acquired the 66-unit Spruce Grove Lane Apartments in Calgary for $12.8 million, and five condo units from its Southport Apartments development partner for $1.1 million.

Following the acquisition of the remaining buildings in the Kanata Lakes (William’s Court) apartment complex on March 1, 2017, Killam recognized a $9.5 million fair value gain on its Kanata portfolio. The three buildings within the property acquired in the last year were purchased at cap-rates 75 - 90 bps higher than the current market cap-rates as the purchase price for the acquisitions were negotiated in 2014, as part of the multi-phase project. Killam has recorded an aggregate of $12.8 million of fair value gains on its interest in the William's Court assets. Killam also recognized a $1.0 million fair value gain related to its downtown Ottawa assets as lower cap-rates were supported by a third party sale of two of its older Ottawa assets. This asset sale was completed in April 2017 at a cap-rate of 4.8%.

Lower Interest Rates Contribute to Earnings Growth

Killam benefited from lower interest rates on mortgages refinanced during 2016 and Q1-2017, contributing to a 4.8% reduction in same property interest expense for the quarter. During Q1-2017, Killam successfully refinanced $4.0 million of maturing mortgages with $7.8 million of new debt at a weighted average interest rate of 2.41%, 59 bps lower than the weighted average interest rate prior to refinancing.

Business Overview

Killam Apartment REIT, based in Halifax, NS, is one of Canada's largest residential landlords, owning, operating, managing and developing multi-family residential and MHC properties. Killam's current portfolio includes $2.0 billion in real estate assets, and its strategy to maximize its value and long-term profitability includes concentrating on three key areas of growth:

1) Increase earnings from the existing portfolio;

2) Expand the portfolio and geographic diversification through accretive acquisitions targeting newer properties; and

3) Develop high-quality properties in its core markets.

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 entered the Ontario apartment market in 2010 and acquired an ownership interest in its first apartment property in Calgary in 2014. Since 2010, Killam has augmented its acquisition program with the construction of apartment buildings, and has completed eight projects to date, currently with two additional properties under construction.

The apartment business is Killam's largest business segment, accounting for 92% of Killam's NOI for the three months ended March 31, 2017. As at March 31, 2017, Killam's apartment portfolio consisted of 14,444 units, which includes 1,245 units that Killam co-owns (50%) through a joint arrangement. Its 184 apartment properties are located predominantly in Atlantic Canada's six largest urban centres (namely Halifax, Moncton, Saint John, Fredericton, St. John's and Charlottetown), Ontario (including Ottawa, London, Toronto and Cambridge) and Calgary, Alberta. Killam is Atlantic Canada's largest residential landlord, with a 13.6% market share of the multi-family rental units in its core Atlantic Canadian markets. Killam plans to expand its presence in Ontario and Western Canada with additional acquisitions and developments.

Killam also owns 5,165 MHC sites, also known as land-lease communities or trailer parks, located in Ontario and Atlantic Canada. 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. The MHC portfolio accounted for 6% of Killam's NOI for the three months ended March 31, 2017. Killam also has commercial properties that accounted for 2% of Killam's NOI for the three months ended March 31, 2017.

Outlook

Increased Earnings from Killam's Same Property Portfolio
Management expects to generate same property NOI growth and improved operating margins by increasing rental revenue and expense management during the remainder of 2017. Top-line growth is expected to be driven primarily from increased rental rates. A growing number of baby boomers and seniors looking to transition from home ownership to apartment-style living are expected to support strong demand for apartment rentals for the foreseeable future. Population growth, fueled in part by increased international immigration levels in Killam's core markets, most notably Halifax, is also expected to support a strong rental market. Combined with 1.8% growth in Q1, Management anticipates achieving NOI growth of 1%-3% for the year.

Investments in energy initiatives and operational efficiencies should continue to contribute to improved operating margins and mitigate operating expense pressures. Having identified over $25 million in efficiency-related opportunities with an average payback of four years, Management is doubling its investment in energy and water saving initiatives from approximately $1.6 million in 2016 to over $3.0 million in 2017, and may increase further going forward. These investments, including low-flow water solutions, heating system upgrades, lighting solutions and temperature control solutions, are expected to augment Killam's annual same property NOI growth.

On April 21, 2017, the Government of Ontario announced its intent to expand rent control to all renters, including properties built after 1991, which will impose new restrictions on the 64% of Killam's Ontario units built post 1991. Management does not expect this change to have a material impact on Killam's revenue growth potential as the majority of these units are already at market rents, which is well above the average rent within the Ontario rental market. Killam will continue to focus on increasing rental rates as units turn to achieve overall above guideline rental growth in the province. Killam's newer buildings in Ontario have higher margins, approximately 67% compared to 52% for older properties, allowing for higher NOI growth in a rent-controlled environment if expenses are increasing at a higher rate than revenues.

Acquisitions to Expand Geographic Diversification
Management continues to actively look for accretive acquisition opportunities in Ontario, Atlantic Canada and Alberta, with a focus on its core markets in Ontario. Following the redemption of the $46.0 million of debentures in April 2017 and further acquisitions subsequent to quarter end, Killam has approximately $100 million of acquisition capacity available from cash on hand and its acquisition line. Killam expects to deploy this capital as accretive opportunities arise.

Developments to Contribute to NAV Growth
Killam is an experienced developer, having completed over $130 million in apartment developments. New developments will continue to be an important component of Killam's growth strategy. Targeting a yield on development of 5.0% to 6.0%, approximately 75-150 bps higher than the anticipated cap-rate value on completion, Management expects its developments to be accretive and create unitholder value. Based on the three developments underway, including the recently announced joint venture project with RioCan REIT, Killam forecasts adding approximately $130 million of new developments to its portfolio during the next three years. These new properties are expected to reinforce Killam's portfolio as 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 the MD&A.

Strengthening Balance Sheet
The redemption of the remaining $46.0 million in convertible debentures on April 13, 2017, resulted in further improvement in Killam's debt to total asset ratio, which will be reflected in the second quarter. The redemption is expected to decrease Killam's leverage by 100 bps to approximately 50.9% during the second quarter of 2017 compared to 51.9% at March 31, 2017. Management is targeting a leverage level of 50%. In addition, Management plans to expand its portfolio of unencumbered assets and increase its $30 million acquisition line, providing additional capital flexibility.

Recycling Capital to Enhance Portfolio Quality and Growth
Killam completed the sale of two properties in Ottawa on April 5, 2017, for $17.1 million. Killam used a portion of the net proceeds from this sale to pay down the remaining $7.6 million in mortgages on these properties. Killam originally acquired the properties as part of a four-building portfolio in 2012. The disposition aligns with Killam's strategy to identify select assets with lower growth potential and recycle capital to enhance the overall quality and revenue growth potential of its portfolio. Management expects to continue to recycle select assets in the future.

Interest Savings
Killam has approximately $160 million of mortgages maturing through to the end of 2018 at a weighted average interest rate of 3.72%, approximately 160 bps and 115 bps higher than current 5 and 10-year Canadian Mortgage and Housing Corporation ("CMHC") insured rates. Based on an expectation of yields remaining low in the near-term, Management expects to refinance its maturing mortgages at lower interest rates, creating interest expense savings. Management also expects to up-finance approximately $36 million from maturing mortgages through to the end of 2018. Assuming a weighted average interest rate of 2.5% on refinanced apartment mortgages (including up-financing) over the next two years, using a mix of 5 and 10-year debt, Killam could generate annualized interest savings of up to $0.4 million.

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

2017 Strategic Targets

Growth in Same Property NOI	
2017 Target	Same property NOI growth of 1% to 3%.
2017 Performance to-date	Killam achieved positive same property NOI growth of 1.8% in Q1-2017. Growth is attributable to increased rental rates, lower utility costs across the portfolio and lower natural gas expense in NS during the quarter. Killam expects to achieve net rental growth between 1% and 3% in 2017 through rental rate increases and stable occupancy. Overall, Killam continues to target between 1% and 3% NOI growth for 2017.
Geographic Diversification	
2017 Target	At least 75% of acquisitions made outside Atlantic Canada and to have over 23% of 2017 NOI earned outside Atlantic Canada.
2017 Performance to-date	During Q1-2017 the majority of Killam's $63.1 million of acquisitions were outside of Atlantic Canada, including a 50% interest in the remaining two buildings of the Kanata Lakes apartment development in Ottawa for $49.2 million and Spruce Grove Lane Apartments in Calgary for $12.8 million. Both of these acquisitions further increased the geographic diversification of Killam's portfolio. Following these acquisitions, Killam expects to earn over 23% of NOI outside of Atlantic Canada in 2017 compared to 21.3% in 2016.
Expanded Portfolio through Accretive Acquisitions	
2017 Target	A minimum of $75 million of acquisitions.
2017 Performance to-date	As noted above, Killam completed $63.1 million in acquisitions during Q1-2017. A summary of the acquisitions completed is shown in Part VI of the MD&A.
Development of High-Quality Properties	
2017 Target	To remain on schedule to have the 240-unit Alexander development completed by Q1-2018 and the 93-unit Saginaw development completed by Q2-2018.
2017 Performance to-date	The Alexander and Saginaw developments are expected to meet their target completion dates.
Strengthened Balance Sheet	
2017 Target	Further reduce debt as a percentage of assets.
2017 Performance to-date	Debt as a percentage of total assets decreased by 160 bps to 51.9% at the end of Q1-2017 compared to 53.5% at December 31, 2016. Subsequent to quarter end, Killam redeemed the outstanding $46.0 million, 5.45% convertible debentures. The redemption is expected to reduce Killam's leverage by an additional 100 bps to 50.9%.

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

Portfolio Summary

The following table summarizes Killam's apartment, MHC and commercial portfolio by market as at March 31, 2017:

Apartment Portfolio				
	Units (1)	Number of Properties	NOI ($) (2)	NOI (% of Total) (2)
Nova Scotia				
Halifax	5,165	59	$9,373	37.6%
Sydney	139	2	277	1.1%
	5,304	61	$9,650	38.7%
New Brunswick				
Moncton	1,629	31	$1,827	7.3%
Fredericton	1,422	21	1,986	8.0%
Saint John	1,202	14	1,047	4.2%
Miramichi	96	1	131	0.5%
	4,349	67	$4,991	20.0%
Ontario (3)				
Ottawa	1,221	12	$1,438	5.8%
London	417	4	1,118	4.5%
Toronto	378	2	844	3.4%
Cambridge	347	3	1,005	4.0%
	2,363	21	$4,405	17.7%
Newfoundland & Labrador				
St. John's	915	12	$1,784	7.2%
Grand Falls	148	2	208	0.8%
	1,063	14	$1,992	8.0%
Prince Edward Island				
Charlottetown	906	17	$1,353	5.4%
Summerside	86	2	109	0.4%
	992	19	$1,462	5.8%
Alberta				
Calgary	373	2	$468	1.9%
Total Apartments	**14,444**	**184**	**$22,968**	**92.1%**
Manufactured Home Community Portfolio				
	Sites	Number of Communities	NOI ($) (2)	NOI (% of Total) (2)
Nova Scotia	2,626	16	$981	4.0%
Ontario	2,145	16	511	2.0%
New Brunswick	224	1	—	—%
Newfoundland & Labrador	170	2	77	0.3%
Total MHCs	**5,165**	**35**	**$1,569**	**6.3%**
Commercial Portfolio				
	Square Footage	Number of Properties	NOI ($) (2)	NOI (% of Total) (2)
Halifax, NS	248,000	4	$405	1.6%
Total Portfolio			**$24,942**	**100.0%**

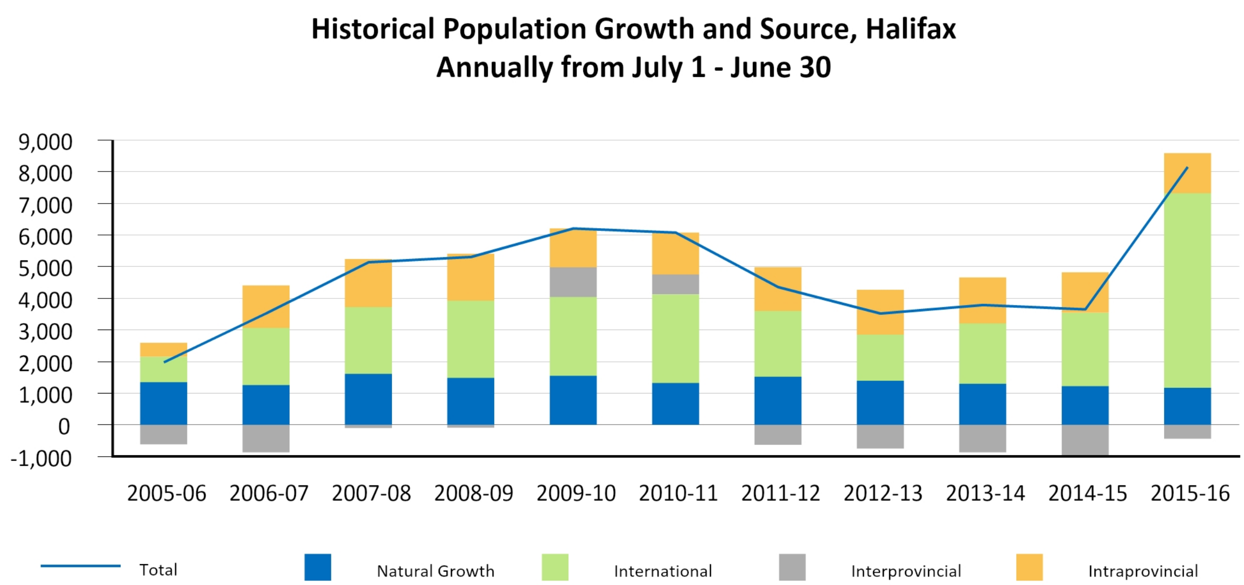
(1) Unit count includes properties held through Killam's joint arrangements.
(2) For the three months ended March 31, 2017.
(3) Killam owns and manages six buildings located in Ontario and one building in Alberta through a joint arrangement, with Killam having a 50% ownership interest in all seven properties. Killam's ownership interest represents 623 of the 1,245 units in these properties.

Core Market Update

Halifax
38% of Killam's total NOI is earned from its Halifax apartment portfolio. The city's rental unit base is 46,097 units, accounting for 47.1% of the total rental universe in Atlantic Canada as measured by CMHC. Halifax is the largest city in the region and home to 17% of Atlantic Canadians. It is the region's economic hub, producing 56% of Nova Scotia's total GDP and home to 44% of the province's population. The city attracts a diverse population base, from rural areas of Nova Scotia, other regions in Atlantic Canada, and internationally. With six degree-granting universities and three large community college campuses, Halifax is home to over 35,000 students per year, including 5,800 international students. Halifax's employment base is well diversified, with jobs focused around public service, health care, education, and retail and wholesale trade among the largest sectors. Halifax is home to the largest Canadian Armed Forces base by number of personnel, and the Department of National Defence is the largest employer in the city.

Halifax is experiencing high occupancy and growing rental rates, attributable to economic and population growth in the city, and increasing demand from the baby boomer generation shifting away from home ownership into apartment living. Intraprovincial migration and international migration have also contributed to increased demand for apartments in the city. Data from Statistics Canada confirmed that from July 1, 2015 to June 30, 2016 Halifax population growth increased by 8,147, or 2.0%, which is the largest percentage growth in population of any census metropolitan area in Canada outside of the Prairies.

The chart below highlights historical population growth for Halifax by source from 2005 to 2016:



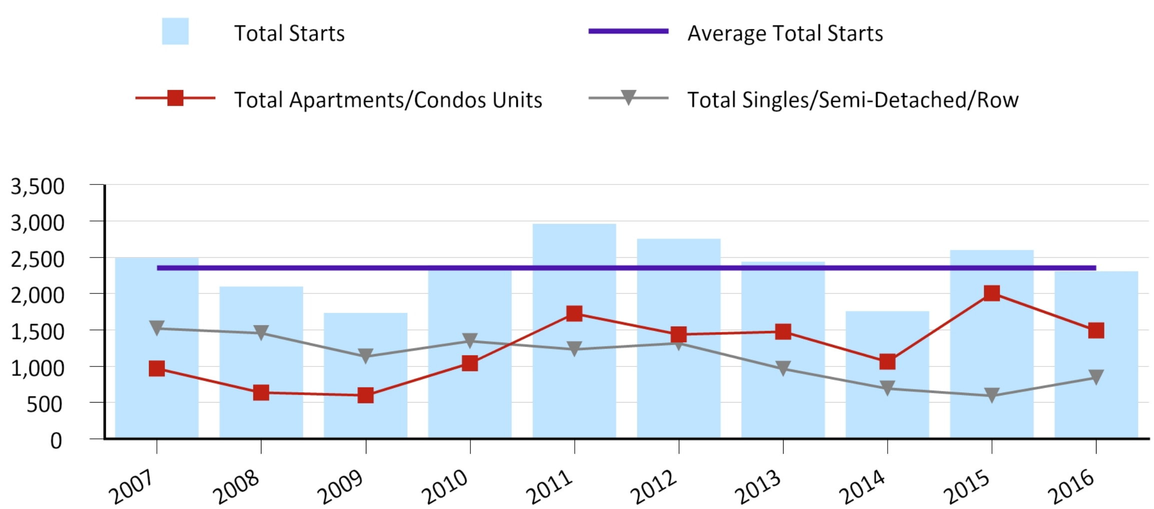
Source: Statistics Canada

Management expects population growth in Halifax to continue to increase due to urbanization and local large-scale projects that should drive employment opportunities. Irving Shipyard's $25 billion shipbuilding contract is expected to have positive long-term implications for Halifax and Atlantic Canada. Large construction projects in the city, as well as steady growth in the service sector, will also contribute to Halifax's economic growth. A growing population base of those 60 years and older, many of whom are expected to transition to rental units, will also drive long-term demand for apartments in Halifax.

Increased numbers of rental units are being built to absorb this demand. Much of the new rental supply introduced into the market in recent years has catered to this demographic, with spacious units of 1,200 square feet ("SF") or more, and monthly rents of $1,300 and higher in the suburban areas. In the downtown core, an increased number of smaller rental units are being constructed, catering to renters looking for a more urban lifestyle.

The following graph summarizes the total number of starts in Halifax for all housing types from 2007 to 2016, as reported by CMHC. During the last ten years, the annual total housing starts averaged 2,350 units per year. As the graph highlights, a decrease in single family starts is being offset by an increase in multi-family starts, resulting in relatively stable levels of total housing starts and apartment occupancy. In 2016, there were 1,462 apartment and condo unit starts during the year compared to 843 single family, semi-detached and row housing starts, as per CMHC's Starts and Completions Survey. This trend is expected to continue in 2017. During the first quarter of 2017, CMHC reported 375 apartment and condo unit starts, compared to 243 during Q1-2016.

Halifax Total Housing Starts



Source: CMHC

Despite an increased rental inventory, units are being absorbed by strong demand in the city, as noted above. However, CMHC's Fall Rental Market Outlook forecasted vacancy to increase to 3.2% in 2017, from 2.6% in 2016, due to a higher than normal amount of rental completions expected in 2017.

With a diversified asset base of approximately 5,200 well-located apartment units in Halifax and 1,100 MHC sites in and around the city, Killam should benefit from the increased demand for housing that will come from population and economic growth plus the growing base of aging homeowners transitioning to apartment rental.

New Brunswick

20% of Killam's NOI is currently generated in New Brunswick, split between the province's three major urban centres: Fredericton, Moncton and Saint John. Fredericton is the provincial capital and home to the province's largest university. Moncton is the 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. The Saint John market, representing 4% of Killam's NOI, is focused on industry and energy. After strong energy investments in the city in the mid-2000s, the city has seen a reduction in new projects over recent years. However, new investments have started in the forestry sector, and the Energy East Pipeline proposal to bring oil from Western Canada to refineries in Quebec and New Brunswick has potential to generate future economic growth for the city and the province.

Following an increase in vacancy in New Brunswick in recent years, due partly to higher levels of new construction, CMHC reported improved occupancy rates with fewer new rental projects being introduced into the market. CMHC reported that during 2016 there were only 310 new rental apartment unit starts in the province, and only 119 new rental apartment rental starts in Q1-2017.

CMHC reported improved occupancy in both Moncton and Fredericton in its Fall 2016 Rental Market Report and stable vacancy in Saint John. The improved occupancy in Moncton and Fredericton was driven primarily by intraprovincial and international migration and increasing demand from retiring baby boomers. Moncton experienced the most improvement in occupancy, with CMHC reporting 6.0% vacancy in 2016, a 140 bps improvement from 2015. In its fourth quarter 2016 Housing Market Outlook, CMHC reported that it expects a net migrant inflow for New Brunswick in 2016 to 2018 of 3,300 people.

Newfoundland and Labrador

7% of Killam’s apartment NOI is generated in St. John’s. After undergoing a transformation over the last ten years following significant offshore investments, the city is now adjusting to the impact of lower oil prices. CMHC reported a 300 bps increase in vacancy in St. John's due to the economic pressures of lower oil activity, with 7.9% vacancy in 2016, up from 4.9% in 2015. In its fourth quarter 2016 Housing Market Outlook, CMHC reported that it expects a further decline in GDP in Newfoundland and Labrador in 2017 before a return to moderately positive economic growth in 2018.

Prince Edward Island

Killam has an 18% market share in Charlottetown, the provincial capital and economic center of Prince Edward Island. The Charlottetown market represents 5% of Killam’s total NOI. The Prince Edward Island economy continues to realize GDP growth following increases in merchandise exports since 2013. Demographics and international immigration are driving strong demand for rental units. CMHC reported a decrease in vacancy in October 2016 to 1.7%, compared to 4.2% in October 2015. In its fourth quarter 2016 Outlook, CMHC reported that it expects a net migrant inflow for Prince Edward Island in 2016-18 of 4,700 people.

Ontario

Killam's Ontario apartment portfolio represents 18% of NOI. The Ontario rental market is strong, with CMHC reporting a second year of 3.0% increases in average rents for the total Ontario rental market and a 30 bps point reduction in vacancy. In its Fall Rental Market Report, CMHC reported vacancy of 2.1% in October 2016, down from 2.4% in October 2015. CMHC highlights three of Killam's four markets in Ontario (Toronto, London and Ottawa) contributing most to the decline in the provincial vacancy rate. The strength of the Ontario rental market is attributable to an improved economy, rising cost gap between owning and renting and higher levels of international immigration. CMHC projects that vacancy rates will continue to edge lower in 2017 in most urban centres, driven by increased housing prices, international migration and an aging population.

In April 2017, the Government of Ontario announced its intent to expand rent control to all renters, including properties built after 1991. It plans to tie rental rate increases to consumer inflation for all residential properties. This would affect all of Killam's Ontario properties built after 1991, which represents 64% of Killam's total units located in Ontario. Landlords are expected to continue to be able to increase rents to market on unit turns.

Alberta

2% of Killam's NOI is earned in Alberta. The Alberta rental market has softened following lower oil prices. CMHC reported a vacancy rate of 7.0% in October 2016 in Calgary, up from 5.1% in October 2015 and 1.4% a year earlier. Higher vacancy in the year was attributable to an increased base of rental units and the continued weak labour market. CMHC forecasts improvements in economic conditions to lead to lower vacancy rates in 2017 and 2018; however, new rental supply is expected to keep vacancy levels above historical averages.

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

PART III

Q1-2017 Financial Overview
Consolidated Results

For the three months ended March 31,

	Total Portfolio			Same Property			Non-Same Property		
	2017	2016	% Change	**2017**	2016	% Change	**2017**	2016	% Change
Property revenue	**$44,305**	$42,207	5.0%	**$41,424**	$40,854	1.4%	**$2,881**	$1,353	112.9%
Property operating expenses									
Operating expenses	**(7,677)**	(7,047)	8.9%	**(7,241)**	(6,722)	7.7%	**(436)**	(325)	34.2%
Utility and fuel expenses	**(6,279)**	(6,711)	(6.4)%	**(6,040)**	(6,529)	(7.5)%	**(239)**	(182)	31.3%
Property taxes	**(5,407)**	(5,019)	7.7%	**(4,970)**	(4,831)	2.9%	**(437)**	(188)	132.4%
Total operating expenses	**(19,363)**	(18,777)	3.1%	**(18,251)**	(18,082)	0.9%	**(1,112)**	(695)	60.0%
NOI	**$24,942**	$23,430	6.5%	**$23,173**	$22,772	1.8%	**$1,769**	$658	168.8%
Operating margin %	**56.3%**	55.5%	80 bps	**55.9%**	55.7%	20 bps	**61.4%**	48.6%	(1280) bps

Total property revenue for the three months ended March 31, 2017, was $44.3 million, a 5.0% increase in revenue over 2016. The growth was generated through acquisitions, completed developments and a 1.4% increase in same property revenue.

Killam's total property expenses increased by 3.1%, as a result of newly acquired properties and completed developments. Killam's consolidated operating margin improved 80 bps quarter-over-quarter, primarily as a result of adding high-quality assets to the portfolio and a 20 bps margin improvement from its same property portfolio.

Same property NOI reflects 212 stabilized properties that Killam has owned for equivalent periods in 2017 and 2016. The same property analysis includes a combined total of 18,444 apartment units and MHC sites, which is 97.1% of Killam's portfolio. The same property portfolio realized net revenue growth of 1.4% for the three months ended March 31, 2017. Operating expenses experienced a modest 0.9% increase in comparison to Q1-2016. Combining net revenue growth and savings in utility and fuel expenses, same property NOI grew by 1.8% in Q1-2017. These variances are discussed in more detail in the Apartment and MHC sections of the MD&A.

Non-same property NOI consists of properties acquired in 2016 and 2017, a development project completed in 2016, and other adjustments to normalize for non-operational revenue or expense items.

Apartment Results

For the three months ended March 31,

	Total			Same Property			Non-Same Property		
	2017	2016	% Change	**2017**	2016	% Change	**2017**	2016	% Change
Property revenue	**$40,268**	$38,165	5.5%	**$38,506**	$38,007	1.3%	**$1,762**	$158	1,015.2%
Property operating expenses									
Operating expenses	**(6,513)**	(5,948)	9.5%	**(6,428)**	(5,926)	8.5%	**(85)**	(22)	286.4%
Utility and fuel expenses	**(5,759)**	(6,198)	(7.1)%	**(5,661)**	(6,188)	(8.5)%	**(98)**	(10)	880.0%
Property taxes	**(5,028)**	(4,679)	7.5%	**(4,813)**	(4,679)	2.9%	**(215)**	(0)	—%
Total operating expenses	**(17,300)**	(16,825)	2.8%	**(16,902)**	(16,793)	0.6%	**(398)**	(32)	1,143.8%
NOI	**$22,968**	$21,340	7.6%	**$21,604**	$21,214	1.8%	**$1,364**	$126	982.5%
Operating margin %	**57.0%**	55.9%	110 bps	**56.1%**	55.8%	30 bps	**77.4%**	79.7%	(230) bps

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

Apartment Revenue

Total apartment revenue for the three months ended March 31, 2017, was $40.3 million, a 5.5% increase in revenue over 2016. This growth was attributable to acquisitions including the two most recent Kanata Lakes buildings, a portfolio of buildings in London and an additional property in Calgary coupled with the completion of the Southport development project in 2016 and growth in rental rates.

Same property apartment revenue increased 1.3% in 2017 due to a 1.5% increase in rental rates offset by a 20 bps increase in vacancy.

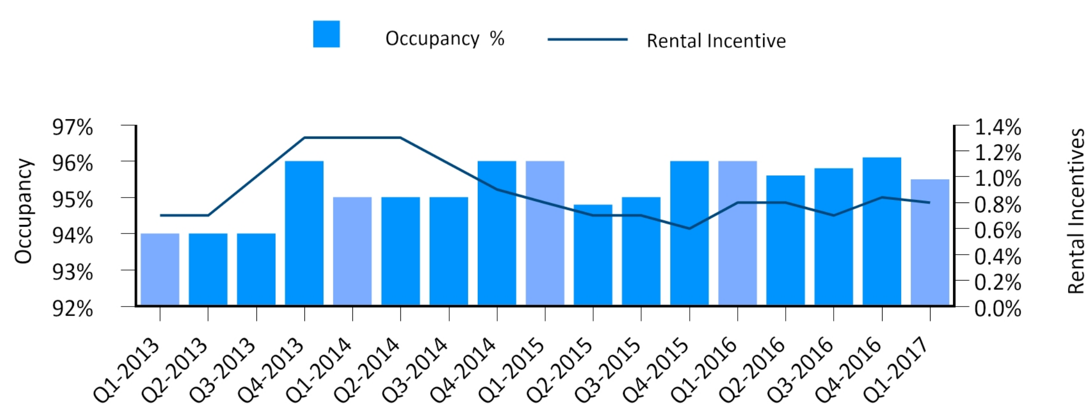
Apartment Occupancy Analysis by Core Market (% of Residential Rent)(1)

		Total Occupancy			**Same Property Occupancy**		
For the three months ended March 31,	# of Units	**2017**	2016	Change (bps)	**2017**	2016	Change (bps)
Halifax, NS	5,165	**96.0%**	96.3%	(30)	**95.9%**	96.3%	(40)
Moncton, NB	1,629	**94.4%**	93.6%	80	**94.4%**	93.6%	80
Fredericton, NB	1,422	**94.9%**	95.1%	(20)	**95.0%**	95.1%	(10)
Saint John, NB	1,202	**93.2%**	93.3%	(10)	**93.2%**	93.3%	(10)
St. John's, NL	915	**94.3%**	96.0%	(170)	**94.3%**	96.0%	(170)
Charlottetown, PE	906	**99.4%**	97.8%	160	**99.4%**	97.8%	160
Ontario	2,363	**95.6%**	97.3%	(170)	**95.9%**	97.3%	(140)
Alberta	373	**87.2%**	80.6%	660	**89.3%**	80.6%	870
Other Atlantic	469	**97.0%**	96.9%	10	**97.0%**	96.9%	10
Total Apartment (Weighted Average)	14,444	**95.4%**	95.7%	(30)	**95.5%**	95.7%	(20)

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

For discussion of changes in occupancy levels during the quarter by region, refer to page 17 of the MD&A under section, "Apartment Same Property NOI by Region".

Killam's Historic Apartment Occupancy & Rental Incentives (as a % of Residential Revenue)



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

Average Rent Analysis by Core Market

As at March 31,

		Average Rent			Same Property Average Rent		
	# of Units	**2017**	2016	% Change	**2017**	2016	% Change
Halifax, NS	5,165	**$993**	$966	2.8%	**$987**	$966	2.2%
Moncton, NB	1,629	**$824**	$833	(1.1)%	**$824**	$833	(1.1)%
Fredericton, NB	1,422	**$918**	$899	2.1%	**$921**	$899	2.4%
Saint John, NB	1,202	**$782**	$782	0.0%	**$782**	$782	0.0%
St. Johns's, NL	915	**$966**	$947	2.0%	**$966**	$947	2.0%
Charlottetown, PE	906	**$914**	$900	1.6%	**$914**	$900	1.6%
Ontario	2,363	**$1,339**	$1,262	6.1%	**$1,296**	$1,262	2.7%
Alberta	373	**$1,144**	$1,306	(12.4)%	**$1,153**	$1,306	(11.7)%
Other Atlantic	469	**$861**	$841	2.4%	**$861**	$841	2.4%
Total Apartment (Weighted Average)	14,444	**$985**	$954	3.2%	**$968**	$954	1.5%

Apartment Expenses

Total apartment expenses for the three months ended March 31, 2017, were $17.3 million, a 2.8% increase over 2016. The expense increase in the quarter is primarily attributable to acquisitions and completed developments. Mitigating the increased costs was lower quarter-over-quarter natural gas pricing in Halifax. Killam realized a 110 bps improvement in its apartment operating margin for the quarter as a result of adding newer more efficient buildings to its portfolio, increasing revenues, lower natural gas pricing in its largest market and other utility savings from energy efficiency projects.

Total same property expenses for the three months ended March 31, 2017, were $16.9 million, a 0.6% increase over Q1-2016. This increase is primarily attributable to an increase in property tax expense, snow removal and other contract service costs, and insurance premiums, which more than offset the savings in fuel and utility costs.

Apartment Utility and Fuel Expenses - Same Property

For the three months ended March 31,	**2017**	2016	% Change
Natural Gas	**$1,934**	$2,398	(19.3)%
Electricity	**2,174**	2,201	(1.2)%
Water	**1,098**	1,199	(8.4)%
Oil	**449**	381	17.8%
Other	**6**	9	(33.3)%
Total utility and fuel expenses	**$5,661**	$6,188	(8.5)%

Utility and fuel expenses accounted for approximately 33% of Killam’s total apartment same property operating expenses in Q1-2017. Total utility and fuel expenses were 8.5% lower compared to the same period of 2016 due to lower natural gas pricing in Nova Scotia and investments in water efficiencies. Killam’s apartment properties are heated with a combination of natural gas (55%), electricity (35%), oil (8%) and steam (2%). Electricity costs at the unit level are typically paid directly by tenants, reducing Killam’s exposure to the majority of the 4,900 units heated with electricity. Killam is primarily exposed to the electricity costs associated with common areas. Fuel costs associated with natural gas or oil-fired heating plants are paid by Killam.

Killam’s same property natural gas costs decreased by 19.3% compared to Q1-2016. The decrease was attributable to lower natural gas rates in Killam's Halifax portfolio. The weighted average cost of gas per gigajoule ("GJ") was $10.02 in Nova Scotia, 33% lower than the Q1-2016 weighted average cost of $14.94 per GJ. Further savings were realized in Nova Scotia as a result of a $5 per GJ reduction in the delivery rate introduced in April 2016. Killam's weighted average natural gas cost per GJ was up approximately 16% in both New Brunswick and Ontario during the three months ended March 31, 2017, compared to the same period of 2016.

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

Heating oil expense increased by 17.8% in Q1-2017 compared to Q1-2016 due to increased world oil prices.

Electricity expense was down by 1.2% despite a slightly colder winter compared to Q1-2016 due to energy efficiency projects. The number of units that include unit electricity as a rental incentive increased quarter over quarter primarily in the New Brunswick markets. Killam prefers not to include electricity in rental rates, and rents are typically increased to offset this additional expense; however, in competitive markets some landlords include electricity in the rental rates. Killam does the same when the market conditions dictate.

Despite higher rates, water expense for the same property portfolio decreased by 8.4% for the quarter ended March 31, 2017. Killam installed 3,723 low-flow toilets in 2016, an additional 1,604 low-flow toilets during Q1-2017 and is realizing marked decreases in water consumption from the program. The total cost for the 2017 program is $0.8 million, with annualized savings of $0.2 million and payback period of an estimated 4 years.

Apartment Same Property NOI by Region

For the three months ended March 31,

	Property Revenue			Property Expenses			Net Operating Income		
	2017	2016	% Change	**2017**	2016	% Change	**2017**	2016	% Change
Halifax	**$14,972**	$14,730	1.6%	**(5,965)**	(6,394)	(6.7)%	**$9,007**	$8,336	8.0%
Moncton	**4,071**	3,988	2.1%	**(2,245)**	(2,075)	8.2%	**1,826**	1,913	(4.5)%
Fredericton	**3,771**	3,701	1.9%	**(1,816)**	(1,722)	5.5%	**1,955**	1,979	(1.2)%
Saint John	**2,650**	2,684	(1.3)%	**(1,603)**	(1,616)	(0.8)%	**1,047**	1,068	(2.0)%
Ontario	**6,092**	6,039	0.9%	**(2,502)**	(2,390)	4.7%	**3,590**	3,649	(1.6)%
St. John's	**2,557**	2,551	0.2%	**(822)**	(808)	1.7%	**1,735**	1,743	(0.5)%
Charlottetown	**2,487**	2,406	3.4%	**(1,135)**	(1,026)	10.6%	**1,352**	1,380	(2.0)%
Alberta	**633**	660	(4.1)%	**(237)**	(211)	12.3%	**396**	449	(11.8)%
Other	**1,273**	1,248	2.0%	**(577)**	(551)	4.7%	**696**	697	(0.1)%
	$38,506	$38,007	1.3%	**(16,902)**	(16,793)	0.6%	**$21,604**	$21,214	1.8%

As shown above, Killam generated 1.8% NOI growth in Q1-2017. Killam generated positive same property revenue growth in all but two of its core markets, the exceptions being Saint John and Alberta, which accounted for 8.5% of total same property revenue in Q1-2017. Due to higher heating costs and higher quarter over quarter snow removal costs associated with the winter season, all regions realized negative NOI growth in the first quarter of 2017 with the exception of Halifax. Management expects overall positive NOI growth for most regions for the remainder of 2017, which should enable Killam to reach its anticipated 1%-3% NOI growth target for the year.

Halifax

Halifax is Killam’s largest rental market, representing 42% of apartment same property NOI for the three months ended March 31, 2017. The Halifax same property apartment portfolio achieved 1.6% revenue growth in the quarter. Overall NOI growth in Q1-2017 was a strong 8.0%, the highest NOI growth from any of Killam's core markets.

The 1.6% property revenue increase continues the trend of strong property revenue growth in Killam's largest market. Average same property rental rates were up 2.2%, rental incentives were down 40 bps, and net bad debt expense decreased 20 bps, contributing to the overall revenue growth. These increases were offset by a 40 bps decline in occupancy, as well as increased vacancy associated with the commercial component of one apartment property. Excluding the impact of the commercial space, net revenue would have increased by 2.0%.

Total operating expenses decreased by 6.7% in the quarter. Savings were generated from a 33% decrease in natural gas commodity prices and a $5 per GJ reduction in the delivery rate introduced in April 2016. These savings coupled with reduced water and electricity consumption from energy efficiency initiatives resulted in an overall 22% decline in utility and fuel related expenses quarter over quarter. These savings were partially offset by increases in property taxes, insurance premiums and timing of repairs and maintenance costs.

New Brunswick

Killam’s three core markets in New Brunswick generated 22% of Killam's apartment same property NOI in Q1-2017. In aggregate, the NB portfolio achieved 1.1% same property revenue growth for the quarter. The improvements in same property revenue were offset by an increase in property expenses in Q1-2017, due largely to higher property tax expense, insurance premiums and snow removal costs.

Fredericton achieved 1.9% same property revenue growth in Q1-2017; however, NOI declined 1.2% as a result of a 5.5% increase in operating expenses compared to the same period in 2016. Top-line growth was primarily attributable to increased rents, up an average of 2.4%. The increase in operating costs was due primarily to a 8% increase in property tax expense and higher insurance premiums. Killam will continue to appeal property tax assessments in the region to mitigate the increase throughout the remainder of 2017.

Moncton had the highest revenue growth in NB in Q1-2017, with a 2.1% increase in same property net revenue. Apartment occupancy improved 80 bps, which was partially offset by a decline in average rents of 1.1% and an increase in rental incentives in the region. The top-line improvement was offset by higher operating expenses, including higher unit electricity costs due to slightly colder temperatures, property taxes and insurance premiums, resulting in an overall decline in NOI quarter over quarter of 4.5%.

Saint John recorded a 1.3% decrease in property revenue in Q1-2017 compared to the same period of 2016. Although Killam was able to maintain rental rates during the quarter, a 10 bps decrease in occupancy and an increased use of rental incentives contributed to the overall decline in property revenue. The Saint John rental market has been showing signs of softness during the last three quarters. Killam has increased the use of incentive offerings and increased advertising efforts in response.

Ontario

Killam's Ontario portfolio generated 17% of Killam's apartment same property NOI for the three months ended March 31, 2017. This portfolio achieved 0.9% revenue growth from increased average rents of 2.7%, partially offset by a 140 bps decline in occupancy. The decline in occupancy is attributable to three buildings in Ottawa, and Killam expects this trend to reverse during the second quarter based on current leasing projections. Total operating expenses increased by 4.7% in Q1-2017 as a result of a 16% increase in natural gas pricing and costs associated with the expansion of Killam's operating platform in the region to absorb additional acquisitions. Killam also experienced a 6% increase in property tax expense, contributing to an overall NOI decrease of 1.6% for the quarter.

Subsequent to quarter end, the Government of Ontario announced its intent to expand rent control to all renters, including properties built after 1991, which will impose new restrictions on the 64% of Killam's Ontario units built post 1991. Management does not expect this change to have a material impact on Killam's revenue growth potential as the majority of these units are already at market rents, which is well above the average rent within the Ontario rental market.

Newfoundland and Labrador

Killam's St. John's portfolio generated 8% of Killam's apartment same property NOI for the three months ended March 31, 2017. Same property revenue for the St. John's portfolio increased by 0.2% while NOI declined by 0.5% due to higher operating expenses.

Despite softness in the economy and rental market in St. John's following lower oil prices, the portfolio continues to achieve revenue growth. A 2.0% increase in rental rates quarter over quarter was partially offset by a 170 bps decline in occupancy in Q1-2017 compared to Q1-2016. Killam is continuing to increase advertising and leasing efforts in the region to address the decline in occupancy. Total same property operating expenses increased by 1.7% in Q1-2017, as utility savings and lower realty tax expense partially offset higher contract services costs and insurance premiums. During Q1-2017, Killam completed the take over of the management of the Newfoundland portfolio. These assets had previously been managed by a third party. Killam anticipates initial annualized NOI savings of $0.2 million from this change, which became effective April 1, 2017.

Prince Edward Island

Killam's Charlottetown portfolio represents 6% of apartment same property NOI. Charlottetown achieved 3.4% revenue growth for the three months ended March 31, 2017. Top-line growth was attributable to increased rents, up 1.6%, and a 160 bps improvement in occupancy levels to 99.4%, the highest occupancy level in Killam's portfolio. Total operating expenses increased 10.6% in Q1-2017 due to increased oil costs as a result of higher average commodity oil prices, colder temperatures, an increase in insurance premiums, repairs and maintenance expenses and snow removal costs. Overall, Charlottetown recorded a 2.0% decrease in NOI for Q1-2017 as a result of these higher operating costs. Same property expense growth is expected to be lower in future quarters when not impacted by the winter heating season.

Alberta

Killam's Alberta portfolio represents 2% of same property apartment NOI for the three months ended March 31, 2017. Overall, Alberta recorded an 11.8% decline in NOI in Q1-2017. Killam's Grid 5 asset recorded occupancy of 89.3% in Q1-2017, an 870 bps improvement over the same period in 2016. The increase in occupancy was offset by a 11.7% decline in rental rates compared to the same three-month period in 2016. As of the end of April 2017, Killam's Grid 5 property was 96% occupied. Operating expenses increased 12.3% quarter over quarter, as a result of higher natural gas rates.

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

MHC Results

For the three months ended March 31,			
	Total Portfolio & Same Property		
	2017	2016	% Change
Property revenue	**$2,918**	$2,849	2.4%
Property operating expenses			
Operating expenses	**(813)**	(795)	2.3%
Utility and fuel expenses	**(379)**	(341)	11.1%
Property taxes	**(157)**	(153)	2.6%
Total operating expenses	**(1,349)**	(1,289)	4.7%
NOI	**$1,569**	$1,560	0.6%
Operating margin %	**53.8%**	54.8%	(100) bps

Killam's MHC business accounted for 6% of NOI from property operations during the three months ended March 31, 2017, and 7% for the comparable period of 2016. Killam's seven seasonal resorts contribute to the MHC segment NOI during the second and third quarters each year, increasing the MHC's percentage contribution to total annualized NOI to approximately 8%.

MHC same property revenue increased $0.1 million or 2.4% in Q1-2017, compared to Q1-2016. This was a result of a 2.9% increase in the weighted average rent per site to $243, up from $236 in Q1-2016. Occupancy remained consistent from Q4-2016 at 97.6%, which was a 20 bps decrease from 97.8% in Q1-2016.

Total same property expenses increased by 4.7%. Water leaks at two large communities increased water expense for the quarter. These leaks have subsequently been fixed, resulting in lower water consumption going forward. Snow removal costs in 2017 also contributed to increased operating expenses.

Overall, the MHC portfolio generated same property NOI growth of 0.6% for the three months ended March 31, 2017.

Commercial Results

Killam has a commercial portfolio of four properties in Halifax, Nova Scotia, totaling 248,000 SF. The Brewery Market property contains 158,000 SF of retail and office space and is adjacent to land that Killam is currently developing into The Alexander, a 240-unit apartment building. The Medical Arts Building on Spring Garden Road contains 18,000 SF of office space, and Killam plans to redevelop this property in the future.

Including the 50% ownership of two commercial properties, including Killam's head office in Halifax, Killam's commercial portfolio accounted for $0.4 million or 1.6% of Killam's total NOI in Q1-2017, compared to $0.5 million or 2.3% for Q1-2016. Overall, occupancy was 98.8% for Q1-2017, a 10 bps decrease from 98.9% in Q1-2016. The slight decrease in occupancy relates to some planned redevelopment opportunities for certain commercial properties. As well, included in the apartment segment is an additional 118,000 SF of ancillary commercial space in various residential properties across the portfolio.

PART IV

Other Income and Expenses

Other Income

For the three months ended March 31,	**2017**	2016	% Change
	$185	$289	(36.0)%

Other income includes property management fees, interest on bank account balances, interest on loans receivable and net revenue associated with the sale of homes in Killam’s MHC segment. The 36.0% decrease quarter over quarter relates to a reduction in interest revenue associated with a mezzanine loan that was repaid in Q2-2016.

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

Financing Costs

For the three months ended March 31,	**2017**	2016	% Change
Mortgage, loan and construction loan interest	**$7,903**	$7,776	1.6%
Interest on exchangeable units	**586**	711	(17.6%)
Amortization of fair value adjustments on assumed debt	**(67)**	(145)	(53.8%)
Amortization of loss on interest rate hedge	**15**	11	36.4%
Unrealized gain on derivative liability	**26**	—	NA
Convertible debenture interest	**634**	1,451	(56.3%)
Capitalized interest	**(329)**	(225)	46.2%
	$8,768	$9,579	(8.5%)

Financing costs decreased $0.8 million, or 8.5%, for the three months ended March 31, 2017, compared to the three months ended March 31, 2016.

Mortgage and loan interest expense was $7.9 million, a 1.6% increase from the same period of 2016. This increase was attributable to an additional $105.7 million in mortgage loans and construction loan payable compared to March 31, 2016, offset partially by lower interest rates on refinancings.

Interest expense associated with the convertible debentures decreased by $0.8 million from Q1-2016. The decrease was a result of the redemption of $57.5 million of convertible debentures in July 2016.

Capitalized interest increased $0.1 million for the three months ended March 31, 2017, compared to 2016. Capitalized interest will vary depending on how many development projects are ongoing and how far along they are in the development cycle. Interest costs associated with development projects are capitalized to the respective development property until substantial completion.

Killam manages interest rate risk by entering into fixed-rate mortgages and staggering the maturity dates, and may at times enter into forward interest rate hedges. An annualized 100 bps change in the interest rate on Killam's mortgage and vendor debt as at March 31, 2017, would affect financing costs by approximately $10.5 million per year. However, only $98.4 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 bps increase/decrease in interest rates, financing costs would increase/decrease by $1.0 million per year.

Depreciation Expense

For the three months ended March 31,	**2017**	2016	% Change
	$163	$208	(21.6)%

Depreciation expense relates to Killam's head office building, vehicles, heavy equipment and administrative office furniture, fixtures and computer software and 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 decrease quarter over quarter was primarily due to costs associated with upgrades to Killam's accounting and property management software in 2016.

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

Amortization of Deferred Financing Costs

For the three months ended March 31,	**2017**	2016	% Change
	$404	$364	11.0%

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 increased 11.0% for the three months ended March 31, 2017, following $186.6 million of mortgage financings in 2016, as well as financing costs associated with property acquisitions over the past twelve months.

Administration Expenses

For the three months ended March 31,	**2017**	2016	% Change
Administration (including REIT conversion costs)	**$2,920**	$3,599	(18.9)%
REIT conversion costs	**(153)**	(1,050)	(85.4)%
Administration (excluding REIT conversion costs)	**$2,767**	$2,549	8.6%
As a percentage of total revenues	**6.2%**	6.0%	20 bps

Administration expenses include expenses that 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. Administration expense for the three months ended March 31, 2017, and 2016, includes one-time costs associated with Killam's REIT conversion.

For the three months ended March 31, 2017, total general and administrative costs, excluding REIT conversion costs, increased $0.2 million or 8.6% compared to the three months ended March 31, 2016, primarily due to increased compensation expenses.

Through 2017, Killam expects to manage general and administration expenses to approximately 6% of total revenues.

Fair Value Adjustments

For the three months ended March 31,	**2017**	2016	% Change
Investment properties	**$10,545**	$—	N/A
Convertible debentures	**469**	1,913	(75.5)%
Unit-based compensation	**(287)**	(212)	35.4%
Exchangeable units	**(2,861)**	(6,173)	(53.7)%
	$7,866	($4,472)	(275.9)%

Killam recorded a fair value gain of $9.5 million in Q1-2017 on its Kanata portfolio. The two acquisitions completed during the last year were purchased at cap-rates approximately 75-90 bps higher than current market cap-rates as the purchase price for the acquisitions were negotiated in 2014 as part of a multi-phase development project. Killam also recognized a $1.0 million fair value gain related to its downtown Ottawa assets as lower cap-rates were supported by the negotiated third party sale of two of its older Ottawa assets. The asset sale was completed in April 2017 at a cap-rate of 4.8%.

For the three months ended March 31, 2017, there was an unrealized gain of $0.5 million on the outstanding convertible debentures, (three months ended March 31, 2016 - $1.9 million) due to the change in the quoted market price of the debentures.

Killam's Restricted Trust Unit ("RTU") Plan gives members of the senior executive team and director-level employees the right to receive a percentage of their variable compensation, and non-executive members of the Board of Trustees the right to receive a percentage of their annual retainer, in the form of RTUs. The RTUs are intended to facilitate long-term ownership of trust units and align the interests of Trustees and senior management with those of unitholders. For the three months ended March 31, 2017, there was an an unrealized loss of $0.3 million (three months ended March 31, 2016 - $0.2 million) due to the change in the market price of the underlying Killam trust units.

Distributions paid on exchangeable units are based on the distributions paid to Killam's unitholders. The exchangeable units are exchangeable on a one-for-one basis into trust units at the option of the holder. The fair value of these exchangeable units is based on the trading price of Killam's trust units. For the three months ended March 31, 2017, there was an unrealized loss on re-measurement of $2.9 million (three months ended March 31, 2016 - $6.2 million) due to changes in the market price of the underlying Killam 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 Canadian *Income Tax Act* (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. As such, Killam is a flow-throw 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 it to continually qualify as a REIT and is expected to distribute all of its taxable income to Unitholders, and therefore is entitled to deduct such distributions for income tax purposes.

PART V

Per Unit Calculations

As Killam is an open-ended mutual fund trust, Unitholders are entitled to redeem their trust units, subject to certain restrictions. The impact of this redemption feature causes Killam's trust units to be treated as financial liabilities under IFRS. Consequently, all per unit calculations are considered non-IFRS measures. The following table explains 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 as at March 31, 2017
For the three months ended March 31,	**2017**	2016	
Trust units	**69,201**	58,206	**74,187**
Exchangeable units	**3,866**	4,744	**3,866**
Basic number of units	**73,067**	62,950	**78,053**
Plus:			
Units under restricted trust unit plan	**305**	235	**358**
Dilutive number of units	**73,372**	63,185	**78,411**

Funds from Operations

FFO are recognized as an industry-wide standard measure for real estate entities' operating performance, and Management considers FFO per unit 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 publicly traded companies. 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. FFO for the three months ended March 31, 2017, and 2016, are determined as follows:

For the three months ended March 31,	**2017**	2016	% Change
Net income	**$17,650**	$45,167	(60.9%)
Fair value adjustments	**(7,866)**	4,472	(275.9%)
Gain on disposition	**—**	(27)	(100.0%)
Non-controlling interest	**(5)**	(254)	(98.0%)
Deferred tax expense (recovery)	**3,088**	(39,643)	(107.8%)
Interest expense related to exchangeable units	**586**	711	(17.6%)
Unrealized loss on derivative liability	**26**	—	—%
Depreciation on owner-occupied building	**34**	33	3.0%
REIT conversion costs	**153**	1,050	(85.4%)
FFO	**$13,666**	$11,509	18.7%
FFO per unit - basic	**$0.19**	$0.18	5.6%
FFO per unit - diluted (1)	**$0.19**	$0.18	5.6%
Weighted average units - basic (000s)	**73,067**	62,950	16.1%
Weighted average units - diluted (000s)	**73,372**	63,185	16.1%

(1) The calculation of weighted average units outstanding for diluted FFO excludes the convertible debentures for the three months ended March 31, 2017, and March 31, 2016, as they are anti-dilutive.

Killam earned FFO of $13.7 million, or $0.19 per unit (diluted) for the three months ended March 31, 2017, compared to $11.5 million, or $0.18 per unit (diluted), for the three months ended March 31, 2016. The increase in FFO is attributable to contributions from acquisitions and completed developments ($1.0 million), same property NOI growth of 1.8% ($0.4 million), interest expense savings on the redemption of the 5.65% convertible debentures ($0.8 million), and interest expense savings on refinancings at lower interest rates ($0.4 million). These increases were offset by an increase in deferred financing costs ($0.1 million) and higher administration costs ($0.2 million). FFO per unit was impacted by a 16.1% increase in the number of weighted average units outstanding as a result of the equity raises completed in June 2016 and March 2017.

FFO have been adjusted for costs incurred for the three months ended March 31, 2017, and 2016, to complete the conversion from a corporation to a REIT effective January 1, 2016. REIT costs incurred during Q1-2017 relate to professional services to support tax requirements following the conversion to a REIT. These costs were unique to Killam's corporate structure and therefore have been removed for FFO purposes.

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

Adjusted Funds from Operations

AFFO is a non-IFRS supplemental measure used by real estate analysts and investors to represent FFO after taking into consideration the capital spend related to maintaining 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 29 and Killam's sources of funding are disclosed in the Liquidity and Capital Resources section on page 31.

Calculating Maintenance Capex Reserve for AFFO
During Q1-2017, REALpac issued a new white paper called "White Paper on Funds From Operations & Adjusted Funds From Operations for IFRS". This white paper provides new guidance on the maintenance capital expenditures ("maintenance capex") for the calculation of AFFO, AFFO per unit and AFFO payout ratio. Management has decided to use a maintenance reserve based on a three-year historical average of the capital spent to maintain and sustain Killam's properties. The following reconciliation highlights Killam's maintenance capex after breaking out capital attributable to NOI enhancing projects for Killam's apartment portfolio:

Maintenance Capex Reserve - Apartments

	2016	2015	2014
Total Capital Investments	$30,139	$28,511	$30,096
Value-enhancing Capital Spend			
Building	(6,571)	(6,036)	(7,058)
Suite upgrades	(9,597)	(9,162)	(9,138)
Equipment & other	(919)	(434)	(350)
	(17,087)	(15,632)	(16,546)
Maintenance Capex	**$13,052**	**$12,879**	**$13,550**
Maintenance capex - % of total capital	43%	45%	45%
# of units (1)	13,617	13,279	13,025
Maintenance capex per unit	$959	$917	$1,038
Maintenance Capex - Three-year average		**$971**	

(1) Weighted average units outstanding during the year, adjusted to reflect Killam's 50% ownership held with its joint venture partner properties.

The allocations above followed a review of Killam's historic capital spend. Significant judgment was required to allocate the capital between value-enhancing and maintenance. Management believes these allocations are reflective of its capital program, with approximately 45% of its annual spend attributable to maintaining and sustaining its 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.

The net capital spend, representing maintenance capex, includes all structural work and suite renovation spend required to maintain the current revenue stream. On a per unit basis, this maintenance capex has ranged from $917 to $1,038 in the past three years, averaging $971 per unit. Based on this average, Management will use $970 for its maintenance capex reserve for 2017. Although the timing of the capex spend fluctuates, Killam will deduct this reserve equally throughout the year (25% or $243 per unit per quarter).

Maintenance Capex Reserve - MHCs

The capital investment specific to the MHC portfolio was also reviewed for the three years (2014 through 2016) breaking out the value-enhancing versus maintenance capex spend. 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 spend to maintain the infrastructure of each community. On a per site basis, this maintenance capex has ranged from $178 to $243 in the past three years. Management will use $225 per MHC site for its maintenance capex reserve for 2017. Although the timing of the capex spend fluctuates, Killam will deduct this reserve equaling throughout the year (25% or $56.25 per site per quarter).

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

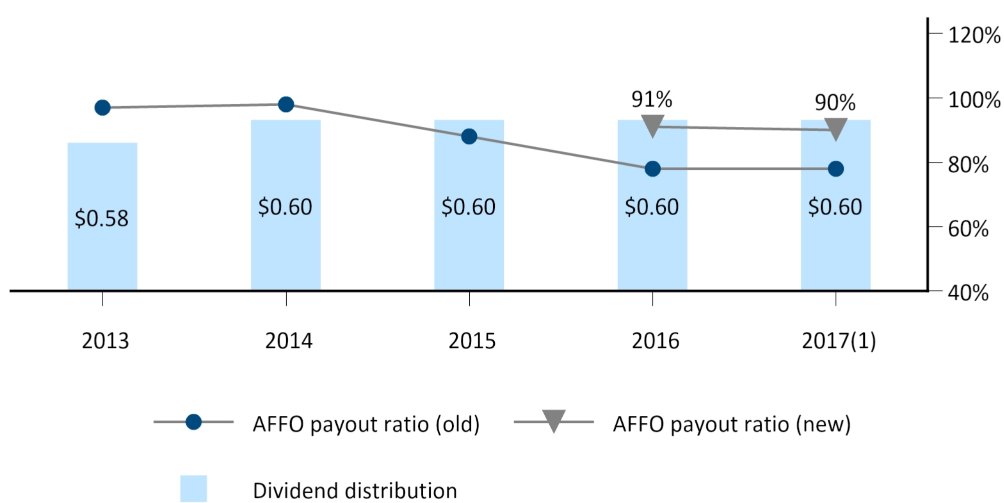
For the three months ended March 31,	**2017**	2016 [3]	% Change
FFO	**$13,666**	$11,509	18.7%
Maintenance capex			
Apartments	**(3,325)**	(3,189)	4.3%
MHCs	**(290)**	(291)	(0.3%)
AFFO	**$10,051**	$8,029	25.2%
AFFO per unit - basic	**$0.14**	$0.13	7.7%
AFFO per unit - diluted[1]	**$0.14**	$0.13	7.7%
AFFO payout ratio	**111%**	118%	(700) bps
AFFO payout ratio - rolling 12 months[2]	**90%**	100%	(1,000) bps
Weighted average number of units - basic (000s)	**73,067**	62,949	16.1%
Weighted average number of units - diluted (000s)	**73,372**	63,185	16.1%

(1) The calculation of weighted average units outstanding for diluted AFFO excludes the convertible debentures for the three months ended March 31, 2017, and 2016, as they are anti-dilutive.
(2) Based on Killam's annual distribution of $0.6004 for the 12-month period ended March 31, 2017, and $0.60 for the 12-month period ended March 31, 2016.
(3) AFFO, AFFO per unit and AFFO payout ratio for the period ended March 31, 2016, have been adjusted to reflect the change in the calculation of maintenance capex in accordance with the REALpac AFFO white paper.

In past years, Killam has calculated AFFO using $450 per apartment unit and $100 per MHC site for maintenance capex, which was in line with the industry standard used in AFFO calculations for the multi-family sector. Using these per unit adjustments, Q1-2017 AFFO would have been $11.9 million and the AFFO per unit would have been $0.16 per unit (Q1-2016 - $9.9 million and $0.16 per unit). The Q1-2017 AFFO payout ratio would have been 93% (Q1-2016 - 96%). For the rolling 12-month period ended March 31, 2017, the AFFO payout ratio would have been 78% (for the rolling 12-month period ended March 31, 2016 - 78%).

A higher payout ratio, compared to the rolling 12-month payout ratio in Q1, corresponds with the seasonality of Killam's business. Killam's first quarter typically has the highest payout ratio due to lower operating margins attributable to higher heating costs in the winter months. The graph below highlights Killam's AFFO payout ratio using the higher per unit reserve of $970 per apartment unit and $225 per MHC site, for 2016 and the rolling 12-month period ended March 31, 2017, compared to $450 per apartment and $100 per MHC site, previously disclosed.

Killam's Annual Dividend/Distribution & AFFO Payout Ratio



(1) Rolling 12-month payout based on Killam's monthly distribution of $0.05 per month for 11 months and $0.05167 per month for one month.

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

Cash Generated from Operating Activities to AFFO Reconciliation

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", the table below reconciles cash generated from operating activities to AFFO.

For the three months ended March 31,	2017	2016	% Change
Cash generated from operating activities	**15,810**	13,114	20.6%
Adjustments:			
Net change in non-cash operating activities	**(2,461)**	(2,575)	(4.4)%
Non-controlling interest	**—**	(254)	(100.0)%
Non-cash compensation expense	**90**	2	4,400.0%
Interest expense related to exchangeable units	**586**	711	(17.6)%
Unrealized gain on derivative liability	**26**	—	—
REIT conversion costs	**153**	1,050	(85.4)%
Depreciation and amortization (net of depreciation on owner-occupied building)	**(538)**	(539)	(0.2)%
Provision for maintenance property capital investments	**(3,615)**	(3,480)	3.9%
AFFO	**$10,051**	$8,029	25.2%

Distribution Reinvestment Plan ("DRIP") and Net Distributions Paid

For the three months ended March 31,	2017	2016	% Change
Distributions declared on trust units	**$10,705**	$8,787	21.8%
Distributions declared on exchangeable units	**586**	710	(17.5)%
Distributions declared on awards outstanding under RTU plan	**46**	34	35.3%
Total distributions declared	**$11,337**	$9,531	18.9%
Less:			
Distributions on trust units reinvested	**(2,438)**	(1,724)	41.4%
Distributions on RTUs reinvested	**(46)**	(34)	35.3%
Net distributions paid	**$8,853**	$7,773	13.9%
Percentage of distributions reinvested	**21.9%**	18.4%	

Cash Flows from Operating Activities and Distributions Declared

As indicated by National Policy 41-201, "Income Trusts and Other Indirect Offerings", the following table outlines the differences between Cash Flow 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,	2017	2016
Net income	**$17,650**	$45,167
Cash flow from operating activities	**$15,810**	$13,114
Total distributions declared	**$11,337**	$9,531
Net distributions paid	**$8,853**	$7,773
Excess of net income over total distributions declared	**$6,313**	$35,636
Excess of net income over net distributions declared	**$8,797**	$37,394
Excess of cash flow from operating activities over total distributions declared	**$4,473**	$3,583
Excess of cash flow from operating activities over net distributions declared	**$6,957**	$5,341

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

Net income is not used as a basis for distributions as it includes fair value changes on investment properties and exchangeable units, remeasurement of unit-based compensation, and fair value changes on derivative financial instruments, which are not reflective of Killam's ability to make distributions. Amounts retained in excess of the declared distributions are used to fund mortgage principal repayments, acquisitions and developments, and capital expenditure requirements.

PART VI

Investment Properties

As at	**March 31, 2017**	December 31, 2016	% Change
Investment properties	**$1,950,478**	$1,887,302	3.3%
Investment properties under construction ("IPUC")	**61,741**	55,507	11.2%
	$2,012,219	$1,942,809	3.6%

Continuity of Investment Properties

For the three months ended March 31,

	2017	2016	% Change
Balance, beginning of period	**$1,887,302**	$1,794,580	5.2%
Acquisition of properties	**64,129**	364	17,517.9%
Disposition of properties	**—**	(8)	(100.0)%
Capital expenditures	**5,094**	4,432	14.9%
Transfer to assets held for sale	**(16,592)**	—	—%
Fair value adjustment - Apartments	**10,545**	—	—%
Balance, end of period	**$1,950,478**	$1,799,368	8.4%

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 model as at March 31, 2017, and 2016, as provided by Killam's external valuator, is as follows:

Capitalization Rates

	March 31, 2017			December 31, 2016			March 31, 2016		
	Low	**High**	**Effective Weighted Average**	Low	High	Effective Weighted Average	Low	High	Effective Weighted Average
Apartments	**4.12%**	**8.00%**	**5.43%**	4.12%	8.00%	5.49%	4.12%	8.00%	5.53%
MHCs	**5.75%**	**8.00%**	**6.80%**	5.75%	8.00%	6.81%	5.75%	8.00%	6.82%

2017 Acquisitions - Investment Properties

Property	**Location**	**Acquisition Date**	**Year Built**	**Units**	**Purchase Price**[(1)]
Apartments					
Spruce Grove	Calgary	16-Jan-17	1978	66	$12,800
Southport condominium units	Halifax	16-Feb-17	2016	5	1,070
Kanata Lakes IV & V [(2)]	Ottawa	01-Mar-17	2016	134	49,240
Total Acquisitions				**205**	**$63,110**

(1) Purchase price does not include transaction costs.

(2) Purchase price represents 50% ownership in two buildings with a cumulative total of 268 units; in addition, it includes 25% interest in a shared clubhouse. This building is part of a five-building complex. With the completion of this acquisition, Killam and its 50/50 partner now own the entire 741 unit complex, which is referred to as William's Court.

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

Investment Properties Under Construction

For the three months ended March 31,

	2017	2016	% Change
Balance, beginning of period	**$55,507**	$45,676	21.5%
Capital expenditures	**5,905**	3,878	52.3%
Interest capitalized	**329**	225	46.2%
Balance, end of period	**$61,741**	$49,779	24.0%

Despite expanded rent control guidelines in Ontario to include apartments built after 1991, Management believes that apartment development continues to makes sense. The all-cash yield on the development projects Killam is investing in is expected to be well above the return achievable in today's acquisition market. This is expected to translate into net asset value creation for unitholders upon completion of the project. In addition, with an expected net operating margin of approximately 70%, compared to 50% to 60% for many older assets, the properties' exposure to increased operating costs is reduced, and long-term net operating income growth potential is enhanced. With little capital spend expected for many years following the completion of the development, the net cash flow from the development is expected to be stable and predictable. Killam's development program also enables quality control during construction and also enables Killam to maximize its return on excess land within the portfolio. As of March 31, 2017, Killam had three projects under development which represents approximately $41 million or 67% of the investment property under construction balance. The remainder reflects land held for future development.

Killam and its 50% partner began construction in downtown Halifax on a 240-unit building, The Alexander, late in the third quarter of 2015, and the project is expected to be completed in Q1-2018. The cost to develop is approximately $70.2 million ($290,000 per unit), resulting in an expected all-cash yield of approximately 5.5%, an approximate 75 bps premium over the yield anticipated on the acquisition of a similar quality asset. As of March 31, 2017, Killam had invested $16.3 million in the project, representing its 50% equity interest. Construction financing is in place for the remainder of the project costs. As Killam has control over the development for accounting purposes, 100% of the costs are included in IPUC. At the completion of construction and following the achievement of certain leasing conditions, Killam has a commitment in place to purchase the remaining 50% interest in this development.

During 2016, Killam commenced construction on a 93-unit, seven-story development in Cambridge, ON. The development is adjacent to Killam's 122-unit building, Saginaw Gardens, which was completed in June 2015. The new building will include underground parking, a guest suite, fitness facility and tenant lounge. The units are expected to be approximately 30 SF larger than Saginaw Gardens, averaging 1,030 SF. The project is expected to cost approximately $25.0 million ($269,000 per unit), resulting in an all-cash yield of approximately 5.4%, approximately 90 bps premium over the yield anticipated on the acquisition of a similar quality asset. As of March 31, 2017, Killam has invested $7.9 million in the project. Killam has obtained construction financing for the remainder of the project, and the first loan draw took place in April 2017.

On April 24, 2017, Killam and RioCan REIT announced the formation of 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 million at 100%). Post-acquisition, Killam and RioCan each own a 50% interest in the land and will participate on the same basis in the costs to develop the project. RioCan will act as the development manager and upon completion, Killam will act as the residential property manager. The site has zoning approval for a total of four residential towers containing up to an aggregate of 840 units. The first phase of the development will include a 217,000 SF, 23-storey tower containing approximately 222 units and is currently in progress. This leading edge development will maximize efficiency with the incorporation of a geothermal energy system for the building's heating and cooling. Site work has commenced and occupancy is anticipated in mid-2019. Located adjacent to RioCan's Silver City Gloucester retail centre and Ottawa's Light Rail Transit, the development is easily accessible to many retail, entertainment and transit options.

Subsequent to quarter end on April 14, 2017, Killam acquired a 3.26 acre parcel of land for future development in Edmonton for $2.7 million. The land is located in a newly built subdivision, and Killam is in the design and approval process to construct two apartment buildings totaling 165 units, commencing in the second half of 2018.

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

As noted below, Killam also has a robust future development pipeline. Future developments that may begin in late 2017 or early 2018 include Carlton Towers, an 18-storey, 104-unit development adjacent Killam's Spring Garden Terrace apartments in downtown Halifax. Killam is also in the design and approval stage for its Silver Spear II development on excess land adjacent its 199-unit building in Mississauga, ON. Killam will have a 50% ownership in the 12-storey, 128-unit development. Based on the two developments underway and additional projects expected to start in 2017, including the recently announced joint venture with RioCan REIT, Killam forecasts adding approximately $145 million of new developments to its portfolio during the next three years. As at May 4, 2017, Killam has the following land available for future development:

Property	Location	Development Potential (# of Units)	Status
Gloucester Phase 2-4[1]	Ottawa, ON	309	Future development
Silver Spear[1]	Mississauga, ON	64	In design and approval process
Spring Garden Terrace Land	Halifax, NS	104	Approved development agreement, detailed design
Cameron Heights	Edmonton, AB	165	In design and approval process
The Governor	Halifax, NS	42	As of right
Carlton Houses	Halifax, NS	70	Future development
Medical Arts (Spring Garden)	Halifax, NS	200	Future development
Block 4	St. John's, NL	80	As of right
Topsail Road	St. John's, NL	225	Approved development agreement
Grid 5 vacant land[1]	Calgary, AB	199	Future development
Total Development Opportunities		**1,458**	

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

Capital Improvements

Killam invests capital to maintain and improve the operating performance of its properties. During the three months ended March 31, 2017, Killam invested a total of $5.1 million in its portfolio, compared to $4.4 million for the three months ended March 31, 2016.

For the three months ended March 31,	**2017**	2016	% Change
Apartments	**$4,783**	$4,180	14.4%
MHCs	**199**	70	184.3%
Commercial	**112**	182	(38.5)%
	$5,094	$4,432	14.9%

Apartments - Capital Spend

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

For the three months ended March 31,	**2017**	2016	% Change
Suite renovations	**$2,358**	$2,078	13.5%
Building improvements	**1,387**	1,628	(14.8)%
Boilers and heating equipment	**524**	129	306.2%
Appliances	**380**	183	107.7%
Equipment	**73**	80	(8.8)%
Other	**61**	82	(25.6)%
Total capital spend	**$4,783**	$4,180	14.4%
Average number of units outstanding	**14,444**	13,681	5.6%
Capital spend - $ per unit	**$331**	$306	8.2 %

Annual capital investment includes a mix of maintenance capex and value-enhancing upgrades. Maintenance capex 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 capex include roof and building envelope repairs, and are in addition to 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. These include, for example, unit and common area upgrades and energy and water saving investments. Killam's AFFO discussion on page 24 provides additional disclosure on the breakdown between maintenance and value-enhancing capex.

Suite Renovations

Approximately 29% of the apartment capital investment in Q1-2017 was invested in suite renovations. Killam continues to focus on unit upgrades to maximize occupancy and rental increases. The timing of capital spending is variable and 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.

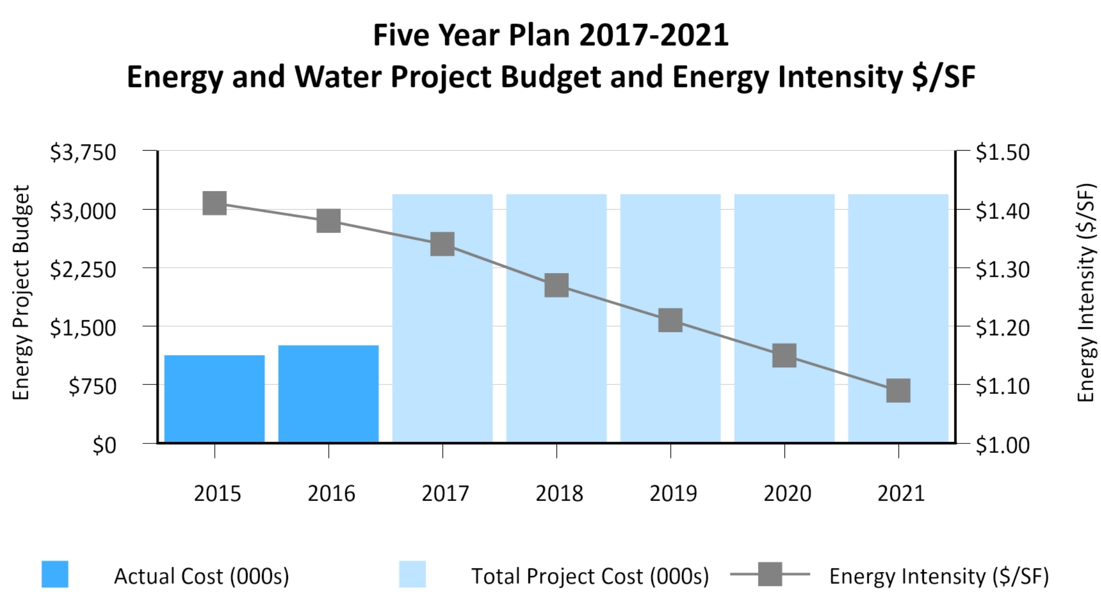
Killam expects to invest between $33 and $35 million during 2017 on capital investments across its apartment portfolio compared to spend of approximately $30 million in 2016.

Energy Efficiencies

Killam invests in energy efficiency projects across its portfolio. These value-enhancing upgrades are designed to decrease the energy intensity of the portfolio. In 2017, Killam plans to invest approximately $3.0 million in energy-enhancing upgrades. In Q1-2017, $1.9 million was invested in ultra low-flow toilets, lighting and heating efficiency projects (i.e., gas boiler controls and upgrades). These projects are estimated to generate $0.4 million in annualized savings with an average payback of 4.0 years.

Following extensive energy reviews for 2017, Management has has identified over $25 million in potential efficiency related opportunities with an average payback of four years. This comprises over 700 projects with an aggregate estimated annual savings up to $7 million. At a 5% average cap-rate, these savings could increase the net asset value of Killam's portfolio by $140 million.

As shown in the following chart, Killam has committed to doubling its energy investment in 2017, and in each of the following four years, to over $3 million annually. This should allow Killam to decrease its energy intensity from its current $1.40 per SF to $1.10 per SF, a 23% decrease, by the end of 2021. Killam's energy intensity measures all energy sources (including water) used within its properties, which is converted to one common measurement of dollars per SF. This $0.30 decline is an estimated $4.3 million in annual energy costs, which will more than offset rising energy rates and other operating pressures.



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

MHCs - Capital Spend

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

For the three months ended March 31,

	2017	2016	% Change
Water & sewer upgrades	**$86**	$80	7.5%
Other	**81**	38	113.2%
Site expansions	**32**	5	540.0%
Equipment	**—**	20	—%
Roads and paving	**—**	(73)	—%
Total capital spend - MHCs	**$199**	$70	184.3%
Average number of units outstanding	**5,165**	5,165	—%
Capital spend - $ per site	**$39**	$14	178.6%

Management expects to invest between $300 and $500 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 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 the provinces with rent control, leading to increased NOI from the investments.

Total capital spend during Q1-2017 was $199 thousand ($39 per site), up from $70 thousand ($14 per site) in Q1-2016. The increase in capital spend for the three months ended March 31, 2017, compared to 2016 is based on timing of projects.

As with the apartment portfolio, the timing of MHC capital investment changes based on requirements at each community. Killam expects to invest between $1.0 and $2.0 million during 2017 on capital investments across its MHC portfolio compared to spend of $2.0 million in 2016.

Liquidity and Capital Resources

Management ensures there is adequate overall liquidity to fund major property improvements and property maintenance, 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 annual mortgage refinancings; (iii) mortgage debt secured by investment properties; (iv) secured revolving demand 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 as summarized below:

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

(ii) $30 million revolving demand credit facility plus cash on hand (post redemption of the $46 million convertible debentures) supports future acquisitions of approximately $100 million.

(iii) The retained portion of annual FFO, mortgage refinancings and construction loans to fund development projects are expected to be sufficient to fund ongoing property capital investments, principal repayments and developments.

(iv) Upcoming mortgage maturities are expected to be easily dealt with through renewals during 2017 of approximately $67.5 million, which have effective interest rates of approximately 3.73%.

Killam is in compliance with all financial covenants contained in the DOT and 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. Killam's total debt as a percentage of assets as at March 31, 2017, was 51.9% and decreased to approximately 50.9% subsequent to the redemption of the $46.0 million, 5.45% convertible debentures in April 2017.

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

Mortgages and Other Loans

Below are Killam's key debt metrics:

As at,	**March 31, 2017**	December 31, 2016	Change
Weighted average years to debt maturity (years)	**4.3**	4.3	—
Gross mortgage, loan and vendor debt as a percentage of total assets	**49.8%**	51.2%	(160) bps
Total debt as a percentage of total assets	**51.9%**	53.5%	(160) bps
Interest coverage	**2.82x**	2.74x	8 bps
Debt service coverage	**1.45x**	1.43x	2 bps
Debt to EBITDA (1)	**10.65x**	10.86x	(21) bps
Weighted average mortgage interest rate	**3.00%**	3.01%	(1) bps
Weighted average interest rate of total debt	**3.11%**	3.11%	0

(1)Ratio calculated net of cash.

Killam's long-term debt consists largely of fixed-rate, long-term mortgage financings. 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 the vendor financing is secured by a general corporate guarantee.

Killam's March 31, 2017, weighted average interest rate on mortgages improved slightly to 3.00% from 3.01% as at December 31, 2016, as a result of refinancing at lower interest rates during the period. This trend is expected to continue over the remainder of 2017, with $67.5 million of mortgage balances maturing at rates above current mortgage interest rates.

Refinancings

For the three months ended March 31, 2017, Killam refinanced the following mortgages:

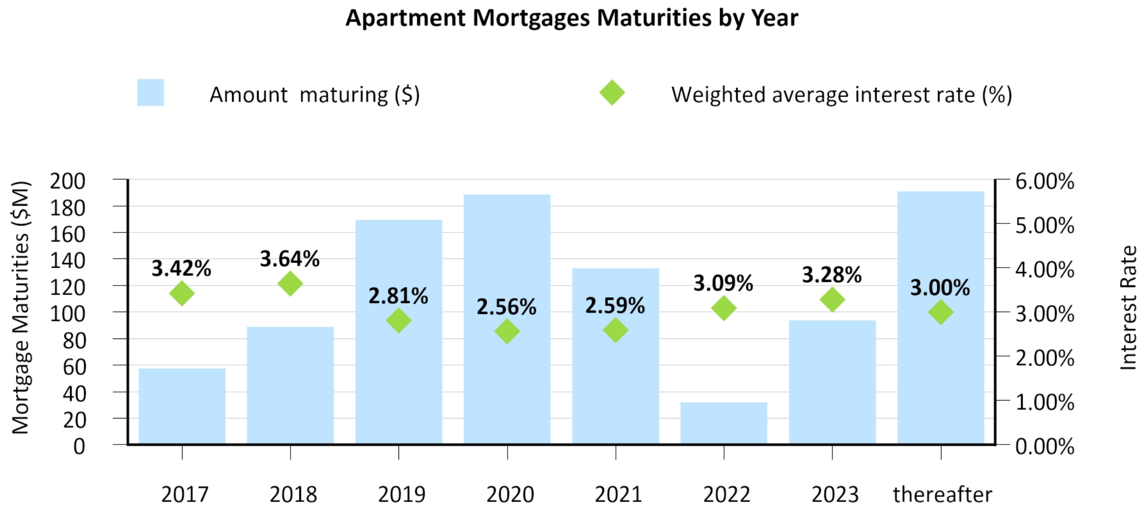
	Mortgage Debt Maturities		**Mortgage Debt on Refinancing**		**Weighted Average Term**	**Net Proceeds**
Apartments	$4,027	3.00%	$7,818	2.41%	5.0 years	$3,791
	$4,027	**3.00%**	**$7,818**	**2.41%**	**5.0 years**	**$3,791**

The following table sets out 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 %
2017	$52,820	3.45%	39.0%	$15,503	4.66%	$68,323	3.73%
2018	87,844	3.64%	40.6%	11,462	4.33%	99,306	3.72%
2019	167,698	2.81%	96.6%	18,707	3.85%	186,405	2.91%
2020	186,939	2.56%	57.4%	6,894	3.52%	193,833	2.59%
2021	131,659	2.59%	84.3%	7,085	3.29%	138,744	2.62%
2022	57,736	3.09%	51.8%	—	—	57,736	3.09%
2023	92,762	3.28%	84.4%	—	—	92,762	3.28%
Thereafter	221,997	3.00%	100.0%	—	—	221,997	3.00%
	$999,455	2.94%	76.7%	$59,651	4.05%	$1,059,106	3.00%

(1) Excludes $16.1 million related to demand loans classified as current mortgage debt on the March 31, 2017, unaudited consolidated interim condensed financial statements.

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



As at March 31, 2017, approximately 77% of Killam's apartment mortgages were CMHC-insured (72% of total mortgages as MHC mortgages are not eligible for CMHC insurance) (December 31, 2016 - 77% and 73%). The weighted average interest rate on the CMHC-insured mortgages was 2.80% as at March 31, 2017 (December 31, 2016 - 2.80%).

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 tables present the NOI for properties that are available to Killam to refinance at debt maturity in the remainder of 2017 and 2018:

Remaining 2017 Debt Maturities	**Number of Properties**	**Estimated NOI**	**Principal Balance (at maturity)**
Apartments with debt maturing	9	$6,480	$52,325
MHCs with debt maturing	9	2,787	15,150
	18	$9,267	$67,475

2018 Debt Maturities	**Number of Properties**	**Estimated NOI**	**Principal Balance (at maturity)**
Apartments with debt maturing	19	$8,610	$84,093
MHCs with debt maturing	9	1,906	10,604
	28	$10,516	$94,697

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

Future Contractual Debt Obligations

As at March 31, 2017, the timing of Killam's future contractual debt obligations is as follows:

	Mortgage and Loans Payable	Construction Loans	Convertible Debentures	Total
2017	$100,379	$—	$46,000	$146,379
2018	126,443	13,241	—	139,684
2019	197,960	—	—	197,960
2020	194,624	—	—	194,624
2021	133,503	—	—	133,503
Thereafter	313,603	—	—	313,603
	$1,066,512	**$13,241**	**$46,000**	**$1,125,753**

Convertible Debentures

On April 13, 2017, Killam completed the redemption of the $46.0 million, 5.45%, convertible unsecured debentures.

Construction Loans

As at March 31, 2017, Killam had access to two floating rate non-revolving demand construction loans for the purpose of financing development projects including a $51.8 million construction loan commitment related to The Alexander where Killam has a 50% ownership interest and a $18.8 million construction loan commitment related to the Saginaw Gardens II development project. Payments are to be made monthly on an interest only basis. The construction loans have interest rates of prime plus 0.625%. Once construction has been completed and rental targets achieved, the construction loans will be repaid in full and replaced with conventional mortgages.

As at March 31, 2017, $13.2 million (December 31, 2016 - $18.5 million including $9.7 million related to the Southport development which was repaid during Q1-2017) was drawn on The Alexander construction loan, at a weighted average interest rate of 3.33% (December 31, 2016 - 3.39%). The first draw on the Saginaw Gardens II loan is expected in Q2-2017.

Credit Facilities

Killam has two credit facilities with major financial institutions, including:

1) A $30.0 million revolving demand facility that can be used for Killam's acquisition programs and general business purposes. The interest rate on the debt is prime plus 75 bps on prime rate advances or 175 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. As at March 31, 2017, Killam has assets with a carrying value of $46.4 million pledged to the line and a balance outstanding of $nil. The agreement includes certain covenants and undertakings with which Killam is in compliance.

2) A $1.5 million revolving demand facility that can be used for Killam's acquisition program and for general business purposes. The interest rate on the debt is 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, 2017, Killam had assets with a carrying value of $1.8 million pledged (December 31, 2016 - $1.6 million) as collateral and letters of credit totaling $1.2 million outstanding against the facility (December 31, 2016 - $1.2 million). The agreement includes certain covenants and undertakings with which Killam is in compliance.

Unitholders’ Equity

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

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

Unitholders have the right to redeem their units at the lesser of (i) 90% of the market price of the Trust Unit (market price is defined as the weighted average trading price of the previous 10 trading days) and (ii) the most recent closing market price (closing market price is defined as the weighted average trading price on the specified date) at the time of the redemption. The redemption price will be satisfied by cash, up to a limit of $50 thousand for all redemptions in a calendar month, or a note payable. For the three months ended March 31, 2017, no unitholders redeemed units.

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 2016 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, 2016, 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, 2017.

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 4 of the consolidated financial statements found in Killam's 2016 Annual Report. The most significant estimates relate to the fair value of investment properties and deferred taxes.

Disclosure Controls and Procedures and Internal Controls

Management, including the Chief Executive Officer and the Chief Financial Officer, does not expect that its 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.

Related Party Transactions

For the three months ended March 31, 2017, Killam paid a commercial leasing placement fee to a property management company controlled by an executive and Trustee of Killam in the amount of $16,790 (for the three months ended March 31, 2016 - $nil).

Subsequent Events

On April 6, 2017, Killam disposed of two properties located in Ottawa, Ontario. The properties were sold for $17.1 million. Killam generated net proceeds after repayment of $7.6 million in mortgages related to the properties and fees associated with the sale of $9.1 million.

On April 13, 2017, Killam redeemed its $46.0 million, 5.45% convertible debentures. Proceeds from Killam's $77.0 million public offering of trust units, which closed on March 13, 2017, were used to fund the redemption.

On April 14, 2017, Killam acquired a 3.26 acre parcel of land in Edmonton, Alberta for $2.7 million for future development.

On April 18, 2017, Killam announced a distribution of $0.05167 per unit, payable on May 15, 2017, to Unitholders of record on April 28, 2017.

On April 19, 2017, Killam acquired a commercial property adjacent to the Alexander development project in Halifax, NS. The acquisition cost was $4.6 million.

On April 21, 2017, Killam entered into a joint operation with RioCan REIT to develop a residential rental community in Ottawa. Killam acquired a 50% interest in a development site for $8.0 million ($16.0 million at 100%). Killam financed the acquisition with a $6.0 million vendor take back mortgage and cash on hand. RioCan and Killam will each own a 50% interest in the land and will participate on the same basis in the costs to develop the multi-phase project.