Q1-2022 Management's Discussion and Analysis

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

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PART I

Business Overview and Strategy

Killam Apartment REIT ("Killam," the "Trust," or the "REIT"), based in Halifax, Nova Scotia (NS), is one of Canada's largest multi-residential property owners, owning, operating, managing and developing a $4.6 billion portfolio of apartments, manufactured home communities (MHCs) and commercial properties across seven provinces. Killam was founded in 2000 to create value through the consolidation of apartments in Atlantic Canada and MHCs across Canada. Killam entered the Ontario (ON) apartment market in 2010, the Alberta (AB) apartment market in 2014, and the British Columbia (BC) apartment market in 2020. Killam broke ground on its first development in 2010 and has completed fourteen projects to date, with a further four projects currently under construction.

Killam’s strategy to drive value and profitability focuses on three priorities:

1) Increase earnings from the existing portfolio;

2) Expand the portfolio and diversify geographically through accretive acquisitions, targeting newer properties; and

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

The apartment business is Killam's largest segment and accounted for 90.1% of Killam’s net operating income (NOI) for the three months ended March 31, 2022. As at March 31, 2022, Killam’s apartment portfolio consisted of 18,970 units, including 1,176 units jointly owned with institutional partners. Killam's 225 apartment properties are located in Atlantic Canada's six largest urban centres (Halifax, Moncton, Saint John, Fredericton, Charlottetown and St. John's), Ontario (Ottawa, London, Toronto and Kitchener-Waterloo-Cambridge), Alberta (Edmonton and Calgary), and British Columbia (Greater Victoria). Killam is Atlantic Canada’s largest owner of multi-residential apartments and plans to continue increasing its presence outside Atlantic Canada through acquisitions and developments; however, it will continue to invest strategically in Atlantic Canada to maintain its market presence.

In addition, Killam owns 5,875 sites in 39 MHCs, also known as land-lease communities or trailer parks, in Ontario and Atlantic Canada. Killam owns the land and infrastructure supporting these communities and leases sites to tenants who own their own homes and pay Killam site rent. The MHC portfolio accounted for 4.4% of Killam's NOI for the three months ended March 31, 2022. Killam also owns 946,372 square feet (SF) of stand-alone commercial space that accounted for 5.5% of Killam's NOI for the three months ended March 31, 2022.

Declaration of Trust

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

Investment Guidelines

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

Operating Policies

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

As at March 31, 2022, Killam was in compliance with all investment guidelines and operating policies.

Basis of Presentation

The following Management's Discussion and Analysis (MD&A) has been prepared by Management and focuses on key statistics from the annual consolidated financial statements, including the notes thereto, and pertains to known risks and uncertainties. This MD&A should be read in conjunction with the Trust's audited consolidated financial statements for the years ended December 31, 2021 and 2020, 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 2021 Annual Information Form (AIF), are available on SEDAR at www.sedar.com.

The discussions in this MD&A are based on information available as at May 4, 2022. This MD&A has been reviewed and approved by Management and the REIT's Board of Trustees.

Forward-looking Statements Disclaimer

Certain statements contained in this MD&A may contain forward-looking statements and forward-looking information (collectively, “forward-looking statements”), including within the meaning of applicable securities law.

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," "target," "committed," "priority," "remain," "strategy," or the negative of these terms or other comparable terminology, and by discussions of strategies that involve risks and uncertainties.

Such forward-looking statements contained in this MD&A may include, among other things, statements regarding: Killam’s expectations with regard to market demand and rent growth; the effect of government-imposed rental rate restrictions; Killam's growth strategy; net asset value growth; planned growth of the property portfolio; the expansion of the land portfolio for future developments; future acquisitions, including the amount expected to be invested in such acquisitions, the location of such acquisitions, improvements in profitability of Killam’s property portfolio, Killam’s property developments, including cost and timing of completion thereof, and Management’s expectations regarding capital improvement costs; short- and longer-term targets relating to same property NOI growth, portfolio growth, NOI generated outside of Atlantic Canada, investment in completed developments, debt maintenance or reductions, environmental, social and governance (ESG) investment, return on investment, and affordable housing; Killam's joint venture partners; Killam's ability to mitigate cost increases; maintenance costs; the effect of completed developments on Killam's business; the expansion of Killam's repositioning program; uncertainties and risks arising as a result of the spread of the COVID-19 pandemic, including uncertainty surrounding disruptions to financial markets, regional economies and the world economy; the return to pre-pandemic employment levels; interest rate fluctuations; credit availability; financing costs; market values; pace and scope on future acquisitions, construction, development and renovation, renewals and leasing; the ability to expand into other geographical regions of Canada in an economically viable way and geographically diversify Killam's portfolio; the estimated population and economic growth in key markets; the rate of transition from rental to homeownership; the GDP growth across the country post-pandemic; the continued capital investment from governments and the private sector in key markets; the availability of capital to fund further acquisitions and investments in Killam's business; replacing construction financing with permanent mortgage financing; Killam's commitment to ESG and its ESG policy, including investment in ESG initiatives and technology and its impact on Killam's energy consumption and costs; augmenting Killam's sustainability programs and improving its GRESB rating; reducing Killam's impact on the environment; and the benefit of building certifications and high operating and living standards.

Readers should be aware that these forward-looking 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: the effects and duration of, as well as government responses to, the COVID-19 pandemic, and the effectiveness of measures intended to mitigate the impact of COVID-19; 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 "Risk Management" section of Killam's MD&A for the year ended December 31, 2021 and Killam's most recent AIF. Given these uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements contained, or incorporated by reference, in Killam's MD&A for the year ended December 31, 2021.

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 contained therein 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.

While Killam anticipates that subsequent events and developments may cause Killam's view to change, Killam does not intend 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 applicable 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 the following non-IFRS financial measures, ratios and supplementary information are relevant measures of the ability of Killam to earn revenue and to evaluate Killam's financial performance. Non-IFRS measures should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS, as indicators of Killam's performance or sustainability of Killam's distributions. These measures do not have standardized meanings under IFRS and, therefore, may not be comparable to similarly titled measures presented by other publicly traded organizations.

Non-IFRS Financial Measures

- Funds from operations (FFO) is a non-IFRS financial measure of operating performance widely used by the Canadian real estate industry based on the definition set forth by REALPAC. FFO, and applicable per unit amounts, are calculated by Killam as net income adjusted for fair value gains (losses), interest expense related to exchangeable units, gains (losses) on disposition, deferred tax expense (recovery), unrealized gains (losses) on derivative liability, internal commercial leasing costs, depreciation on an owner-occupied building, interest expense related to lease liabilities, and non-controlling interest. FFO is calculated in accordance with the REALPAC definition. A reconciliation between net income and FFO is included on page 23.

- Adjusted funds from operations (AFFO) is a non-IFRS financial measure of operating performance widely used by the Canadian real estate industry based on the definition set forth by REALPAC. AFFO, and applicable per unit amounts and payout ratios, are calculated by Killam as FFO less an allowance for maintenance capital expenditures ("capex") (a three-year rolling historical average capital investment to maintain and sustain Killam's properties), commercial leasing costs and straight-line commercial rents. AFFO is calculated in accordance with the REALPAC definition. Management considers AFFO an earnings metric. A reconciliation from FFO to AFFO is included on page 24.
- Adjusted cash flow from operations (ACFO) is a non-IFRS financial measure of operating performance widely used by the Canadian real estate industry based on the definition set forth by REALPAC. ACFO is calculated by Killam as cash flow provided by operating activities with adjustments for changes in working capital that are not indicative of sustainable cash available for distribution, maintenance capital expenditures, commercial leasing costs, amortization of deferred financing costs, interest expense related to lease liabilities and non-controlling interest. Management considers ACFO a measure of sustainable cash flow. A reconciliation from cash provided by operating activities to ACFO is included on page 25. ACFO is calculated in accordance with the REALPAC definition.
- Adjusted earnings before interest, tax, depreciation and amortization ("adjusted EBITDA") is calculated by Killam as net income before fair value adjustments, gains (losses) on disposition, income taxes, interest, depreciation and amortization. A reconciliation is included on page 27.
- Normalized adjusted EBITDA is calculated by Killam as adjusted EBITDA that has been normalized for a full year of stabilized earnings from recently completed acquisitions and developments, on a forward-looking basis. A reconciliation is included on page 34.
- Net debt is a non-IFRS measure used by Management in the computation of debt to normalized adjusted EBITDA. Net debt is calculated as the sum of mortgages and loans payable, credit facilities and construction loans (total debt) reduced by the cash balances at the end of the period. The most directly comparable IFRS measure to net debt is debt.

Non-IFRS Ratios

- Interest coverage is calculated by dividing adjusted EBITDA by mortgage, loan and construction loan interest and interest on credit facilities. The calculation is included on page 27.
- Debt service coverage is calculated by dividing adjusted EBITDA by mortgage loan and construction loan interest, interest on credit facilities and principal mortgage repayments. The calculation is included on page 27.
- Per unit calculations are calculated using the applicable non-IFRS financial measures noted above, i.e. FFO, AFFO and/or ACFO, divided by the basic or diluted number of units outstanding at the end of the relevant period.
- Payout ratios are calculated using the distribution rate for the period divided by the applicable per unit amount, i.e. AFFO and/or ACFO.
- Debt to normalized adjusted EBITDA is calculated by dividing net debt by normalized adjusted EBITDA. The calculation is included on page 27.

Supplementary Financial Measure

- Same property NOI is a supplementary financial measure defined as NOI for stabilized properties that Killam has owned for equivalent periods in 2022 and 2021. Same property results represent 90.5% of the fair value of Killam's investment property portfolio as at March 31, 2022. Excluded from same property results in 2022 are acquisitions, dispositions and developments completed in 2021 and 2022, and non-stabilized commercial properties linked to development projects.
- Same property average rent is calculated by taking a weighted average of the total residential rent for the last month of the reporting period, divided by the relevant number of the units per region for stabilized properties that Killam has owned for equivalent periods in 2022 and 2021. For total residential rents, rents for occupied units are based on contracted rent, and rents for vacant units are based on estimated market rents if the units were occupied.

Capital Management Financial Measure

- Total debt as a percentage of total assets is a capital management financial measure and is calculated by dividing total debt by total assets, excluding right-of-use assets. This measure is reconciled in Note 21 of the condensed consolidated interim financial statements.

PART II

Key Performance Indicators

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

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

Financial and Operational Highlights

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

	Three months ended March 31,		
Operating Performance	**2022**	2021	Change [1]
Property revenue	**$77,464**	$67,374	15.0%
Net operating income	**$45,263**	$40,263	12.4%
Net income	**$60,027**	$27,422	118.9%
FFO [2]	**$28,665**	$25,107	14.2%
FFO per unit – diluted [2]	**$0.24**	$0.23	4.3%
AFFO [1]	**$23,739**	$20,486	15.9%
AFFO per unit – diluted [2]	**$0.20**	$0.19	5.3%
Weighted average number of units outstanding – diluted (000s)	**117,765**	107,669	9.4%
Distributions paid per unit [3]	**$0.18**	$0.17	4.8%
AFFO payout ratio – diluted [2]	**87%**	89%	(200) bps
AFFO payout ratio – rolling 12 months [2]	**76%**	81%	(500) bps
Portfolio Performance			
Same property NOI [2]	**$41,248**	$40,004	3.1%
Same property NOI margin	**59.3%**	60.5%	(120) bps
Same property apartment occupancy	**98.0%**	95.8%	220 bps
Same property apartment weighted average rental increase [4]	**3.3%**	3.3%	— bps

As at	**March 31, 2022**	December 31, 2021	Change [2]
Leverage Ratios and Metrics			
Debt to total assets	**43.3%**	45.0%	(170) bps
Weighted average mortgage interest rate	**2.58%**	2.58%	— bps
Weighted average years to debt maturity	**4.0**	4.0	—
Debt to normalized EBITDA [2]	**10.94x**	11.33x	(3.4)%
Debt service coverage [2]	**1.53x**	1.53x	—%
Interest coverage [2]	**3.58x**	3.53x	1.4%

(1) Change expressed as a percentage, basis points (bps) or years.

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

(3) The Board of Trustees approved a 2.9% increase in Killam's distribution on an annualized basis to $0.70 per unit, effective for the September 2021 distribution.

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

Summary of Q1-2022 Results and Operations

Earned Net Income of $60.0 Million
Killam earned net income of $60.0 million in Q1-2022, compared to $27.4 million in Q1-2021. The increase in net income is primarily attributable to fair value gains on investment properties, growth through acquisitions, completed developments, and increased earnings from the existing portfolio.

Delivered 4.3% FFO per Unit Growth
Killam generated FFO per unit of $0.24 in Q1-2022, a 4.3% increase from $0.23 per unit in Q1-2021. AFFO per unit increased 5.3% to $0.20, compared to $0.19 in Q1-2021. The growth in FFO and AFFO was primarily attributable to increased NOI from Killam's same property portfolio and incremental contributions from over $400 million in recent acquisitions. This growth was partially offset by a 9.4% increase in the weighted average number of units outstanding.

Revenue Growth Supports Same Property NOI Growth of 3.1%
Despite inflationary pressures, Killam achieved 3.1% growth in same property consolidated NOI during the quarter. This improvement was driven by 5.1% growth in revenue, partially offset by an 8.2% increase in operating expenses. A 220 bps increase in same property apartment occupancy coupled with a 3.3% increase in apartment rental rates drove overall revenue growth. Operating expenses increased largely due to higher utility and fuel costs as a result of increases in natural gas pricing across all of Killam's core markets, as well as increased consumption due to a colder winter. A 5.5% increase in property taxes also contributed to higher-than-normal expense growth.

Continued Advancement of Development Pipeline
Killam continues to advance its development pipeline, with four developments underway totaling 477 units (393 units representing Killam's ownership interest) for an expected total development cost of $241.1 million ($195.3 million for Killam's ownership interest). During the first quarter, Killam invested $20.5 million in its active development projects, the majority of which was funded through construction financing. Killam's joint development project, Latitude, a 208-unit building located in Ottawa, Ontario, was completed during the first quarter. This development reached substantial completion in March 2022 and is currently 61% leased. Overall, this asset generated $8.9 million in fair value gains since the project began in 2018 and is expected to contribute $2.0 million in NOI annually, once stabilized.

Strong Rent Growth Supports $28 Million in Fair Value Gains
Killam recorded $28.0 million in fair value gains related to its investment properties in Q1-2022, supported by robust NOI growth driven by strong apartment fundamentals. Killam's weighted average cap-rate for its apartment portfolio as at March 31, 2022, was 4.41%, consistent with December 31, 2021.

Rising Interest Rates
Killam benefited from lower interest rates on mortgages refinanced in Q1-2022; however, this trend is not expected to continue throughout the remainder of the year, as interest rates continue to rise. During Q1-2022, Killam refinanced $36.2 million of maturing mortgages with $58.8 million of new debt, the majority of which was for 10-year terms at a weighted average interest rate of 3.08%, slightly lower than 3.11% for the maturing debt.

ESG Update
During Q1-2022, Killam completed its third-party verified energy consumption and greenhouse gas (GHG) review. Killam achieved a 5.6% reduction in like-for-like energy consumption and an 8.6% reduction in GHG intensity (tCO_2e per square foot) in 2021, compared to 2020. Killam now has 12 photovoltaic (PV) solar arrays producing power, with an expected 1,300 MWh of annual energy production. PV solar arrays, along with geothermal heating and cooling systems at Killam's new developments, illustrate Killam's on-going commitment to lower its carbon footprint.

Killam has published its 2021 ESG report, which can be accessed on its website at https://killamreit.com/esg. The report summarizes Killam's 2021 achievements, describes Killam's commitment to creating and maintaining sustainable communities, and details its progress and future plans to achieve its long-term targets.

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

Strategic Targets

Growth in Same Property NOI	
2022 Target	Achieve same property NOI growth averaging 2.0%–3.0%.
2022 Performance to Date	Killam achieved same property NOI growth of 3.1% for the three months ended March 31, 2022.

Expanded Portfolio	
2022 Target	Complete a minimum of $150 million in acquisitions.
2022 Performance to Date	Year-to-date, Killam has grown its portfolio by $60.5 million with acquisitions in Halifax, Waterloo, Guelph and Victoria. Killam is further expanding its BC presence and expects to close its first acquisition in Courtenay, BC, acquiring 150 newly-built units, for $55.6 million in May.

Geographic Diversification	
2022 Target	Earn at least 35% of 2022 NOI outside Atlantic Canada.
2022 Performance to Date	Killam is on track to meet this target, with 34% of NOI generated outside Atlantic Canada in Q1-2022. The completion and lease-up of Latitude and The Kay, as well as recently completed acquisitions, will further augment NOI generated outside Atlantic Canada during the year.

Development of High-Quality Properties	
2022 Target	Complete construction of four buildings and break ground on two additional developments in 2022.
2022 Performance to Date	The Latitude opened to tenants in January 2022 and the development reached substantial completion in March 2022. The Kay opened to tenants in April 2022. Killam expects to break ground on its next two developments in the second half of 2022.

Strengthened Balance Sheet	
2022 Target	Maintain debt as a percentage of total assets ratio below 45%.
2022 Performance to Date	Debt as a percentage of total assets was 43.3% as at March 31, 2022.

Sustainability	
2022 Target	Invest a minimum of $8.0 million in energy initiatives in 2022.
2022 Performance to Date	Killam invested $1.1 million in energy initiatives in Q1-2022, including $0.4 million in solar panel investments, and has over 50% of its 2022 energy projects committed.

Outlook

Demand for Apartments Remains Strong

Killam expects robust demand for apartments to continue in 2022. Management expects to move rents higher as vacant units are released, which is expected to lead to continued top-line growth. For renewals, however, rent growth is likely to be tempered by government-imposed rental rate restrictions in four of Killam's core markets, namely Ontario (capped at 1.2% in 2022), New Brunswick (capped at 3.8% in 2022), Nova Scotia (capped at 2.0% in 2022 and 2023), British Columbia (capped at 1.5% in 2022) and Prince Edward Island (capped at 1.1% in 2022). Canada's immigration target to add 1.2 million new permanent residents from 2021 to 2023 is contributing to the strong demand for apartments.

$169 Million of Developments Expected to be Completed in 2022

Development remains an important component of Killam's growth strategy, and Killam expects to complete $169 million in development projects in 2022. Latitude, located in Ottawa, reached substantial completion in Q1-2022 and is 61% leased. The Kay, located in Mississauga, opened to tenants in April 2022, and is currently 57% leased. Killam's active developments, Luma and The Governor, are expected to be completed by the end of 2022. The completion and stabilization of the developments underway is expected to contribute positively to Killam’s future FFO per unit growth. In addition, Killam has land for over 4,200 units in its development pipeline.

Continued Expansion of Unit Repositioning Program

Management is committed to Killam's unit repositioning program, targeting over 600 units in 2022. In addition, Killam is improving repositioning efficiencies and targeting improved performance metrics, including the percentage of repositionings completed in 28 days. Unit repositionings represent unit upgrades costing more than $10,000, and Killam targets a return on investment (ROI) of at least 10%. Killam has been successful and will continue to mitigate construction cost increases through the use of bulk purchasing of renovation products, as well as the use of in-house labour. Killam has over 5,500 units that are eligible for repositioning as they come vacant.

Investments in Energy-Efficiency Programs to Reduce CO_2 Emissions and Mitigate Rising Operating Costs

Investments in energy and water-saving initiatives, as well as operational efficiencies, are expected to continue to reduce Killam's energy consumption and help offset rising operating costs, including property taxes and insurance. Management expects to invest a minimum of $8.0 million in energy-related projects in 2022. These projects should contribute to same property NOI growth by reducing consumption and also improve Killam’s sustainability metrics.

Rising Interest Rates

Killam has $125.7 million of remaining mortgages maturing in 2022, with an average interest rate of 2.72%. Interest rates are rising and forecasted to continue to rise throughout the remainder of 2022; however, Management has diversified Killam’s mortgages to avoid dependence on any one lending institution and has staggered maturity dates to mitigate interest rate risk. Killam's mortgage maturity schedule is included on page 28. Killam is also focused on reducing its debt levels with a longer-term target of maintaining debt to total assets of less than 40% by the end of 2025.

Increasing Risk of Inflation, Higher Commodity Pricing and Increasing Property Taxes

Killam monitors inflation closely given the risk of increasing operating and capital costs in an inflationary environment, especially the risk of increased commodity pricing. With approximately 58% of units heated with natural gas, fluctuations in natural gas pricing impact Killam's operating costs. Domestic and international natural gas markets have continued to experience cost pressures in early 2022. The fixed component of Killam’s natural gas costs represent 48% of total costs, which partially mitigates its exposure to volatile natural gas pricing. Additionally, Killam has pricing agreements in place for an additional 9% of total costs, limiting exposure to uncertain pricing for 57% of its natural gas costs. Killam continues to invest in energy-efficiency projects targeted at reducing consumption.

In addition, Killam has received its final property tax bills for 2022 from the Province of New Brunswick with an average increase of 15% for the same property portfolio, down from the initial 23% increase in the assessments. Killam will continue to submit property tax assessment appeals where reasonable.

Positive Same Property NOI Expected

Despite inflationary pressures, Killam expects top-line revenue growth to drive same property NOI growth in 2022 and to meet its target of 2.0%–3.0% NOI growth in 2022.

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

PART III

Portfolio Summary

The following table summarizes Killam's apartment, MHC and commercial portfolios by market as at March 31, 2022:

Apartment Portfolio				
	Units (1)	Number of Properties	NOI ($) (2)	NOI (2) (% of Total)
Nova Scotia				
Halifax	5,820	66	$13,850	30.6%
Sydney	139	2	$334	0.7%
	5,959	68	$14,184	31.3%
New Brunswick				
Moncton	2,246	39	$4,032	9.0%
Fredericton	1,529	23	$3,065	6.8%
Saint John	1,202	14	$1,599	3.5%
Miramichi	96	1	$170	0.4%
	5,073	77	$8,866	19.7%
Ontario				
Ottawa	1,424	10	$2,509	5.5%
London	523	5	$1,360	3.0%
Kitchener-Waterloo-Cambridge-GTA	1,627	11	$4,477	9.9%
	3,574	26	$8,346	18.4%
Newfoundland & Labrador				
St. John's	955	13	$1,851	4.1%
Grand Falls	148	2	$173	0.4%
	1,103	15	$2,024	4.5%
Prince Edward Island				
Charlottetown	1,163	24	$2,101	4.5%
Summerside	86	2	$127	0.3%
	1,249	26	$2,228	4.8%
Alberta				
Calgary	764	4	$1,785	3.9%
Edmonton	882	6	$2,156	4.8%
	1,646	10	$3,941	8.7%
British Columbia				
Victoria	366	3	$1,211	2.7%
Total Apartments	**18,970**	**225**	**$40,800**	**90.1%**
Manufactured Home Community Portfolio				
	Sites	Communities	NOI ($) (2)	(% of Total)
Nova Scotia	2,749	17	$1,272	2.8%
Ontario (3)	2,284	17	$662	1.5%
New Brunswick (3)	672	3	($23)	(0.1)%
Newfoundland & Labrador	170	2	$96	0.2%
Total MHCs	**5,875**	**39**	**$2,007**	**4.4%**
Commercial Portfolio (4)				
	SF (5)	Properties	NOI ($) (2)	(% of Total)
Prince Edward Island (5)	383,222	1	$564	1.2%
Ontario	311,106	2	$1,200	2.8%
Nova Scotia (6)	218,829	5	$598	1.3%
New Brunswick	33,215	1	$94	0.2%
Total Commercial	**946,372**	**9**	**$2,456**	**5.5%**
Total Portfolio		**273**	**$45,263**	**100.0%**

(1) Unit count includes the total unit count of properties held through Killam's joint arrangements. Killam has a 50% ownership interest in two apartment properties in Ontario, representing a proportionate ownership of 588 units of the 1,176 units in these properties. Killam manages the operations of all the co-owned apartment properties.
(2) For the three months ended March 31, 2022.
(3) Killam's New Brunswick and Ontario MHC communities include seasonal operations, which typically commence in mid-May and run through the end of October.
(4) Killam also has 181,117 SF of ancillary commercial space in various residential properties across the portfolio, which is included in apartment results.
(5) Square footage represents 100% of the commercial property located in PEI.
(6) Square footage includes Killam's 50% ownership interest in two office properties that are third-party managed.

Core Market Update

Halifax

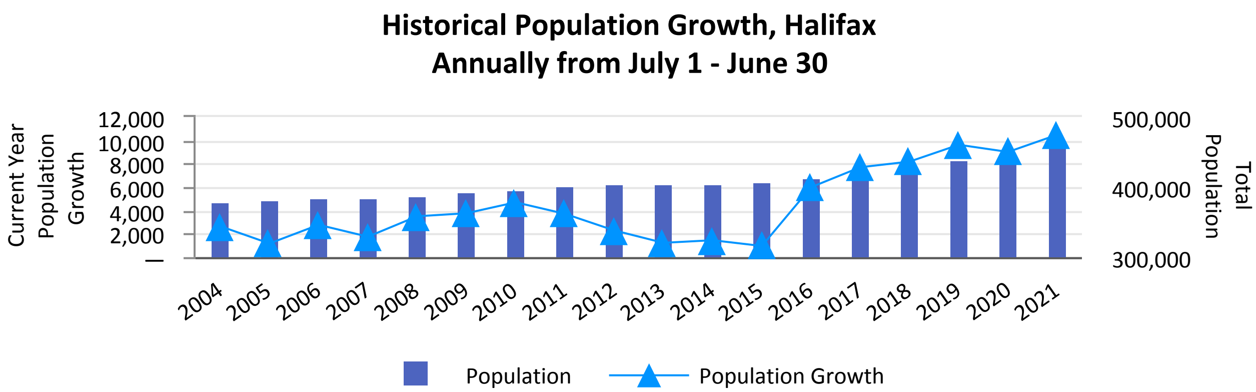
Thirty-one percent of Killam's NOI is generated by its Halifax apartment properties. Halifax is the largest city in Atlantic Canada and is home to 18% of Atlantic Canadians. Halifax's diverse economy generates 56% of Nova Scotia's GDP and is home to 46% of the province's population. According to CMHC's Rental Market Report, the city's rental market totals 56,100 units, with an additional 5,890 rental units currently under construction. Halifax's vacancy rate decreased to 1.0% in 2021, compared to 1.9% in 2020. The decrease in vacancy is largely attributed to the city's rising population and lack of housing availability, specifically in the city's downtown core. CMHC reported that the average rent for a two-bedroom increased 6.4% to $1,334 in 2021, compared to $1,254 in 2020.

With six degree-granting universities and three large community college campuses, Halifax has approximately 41,000 full-time students, including 7,600 international students. Halifax's employment base is diversified, with the largest sectors focused on public service, health care, education, and retail and wholesale trade. Halifax is home to the largest Canadian Forces Base by number of personnel, and the Department of National Defence is the city's largest single employer.

Scotiabank's January 2022 provincial analysis report noted that Halifax remains Atlantic Canada's high wage services hub, showing resilience with greater capacities for work to be carried out remotely, which is expected to contribute to continued provincial migration. The economic outlook forecasts year-over-year gains in 2022 for Nova Scotia's GDP growth, employment rates and Consumer Price Index.

There is tremendous opportunity to leverage science and technology in Canada's ocean sectors, furthering the knowledge-based ocean economy. Canada's Ocean Supercluster aims to build Canada's ocean economy into one of the country's most significant and sustainable economic segments, through federal government and private sector co-investment totalling more than $300 million over the next four years. Over 300 companies are participating in ocean-sector businesses in Nova Scotia, with more than 80 innovators of new, high-tech products and services.

The following chart summarizes Halifax's population growth from 2005 to 2021, the most recent year for which detailed population growth data is available:

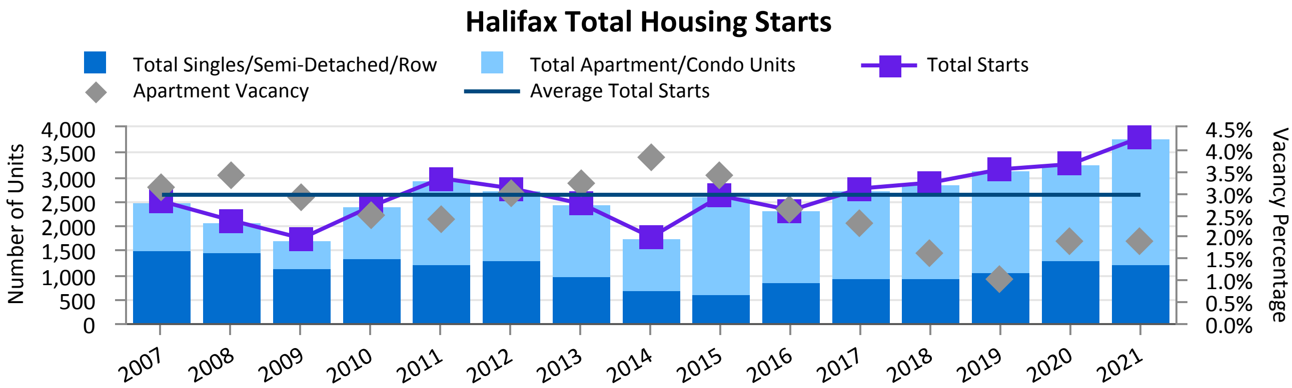


Source: Statistics Canada

Halifax's population has been rising by approximately 2.0% per year since 2016, and has grown by an average of 2.2% per year between 2019 and 2021, primarily driven by immigration and urbanization. Halifax is one of Canada's fastest-growing cities, showing the third-highest growth across all Canadian metropolitan areas, and Nova Scotia as a whole is benefiting from increased population growth. RBC's March 2022 Provincial Outlook expects momentum to slow slightly in 2022 and 2023, with forecasted GDP growth of 2.5% and 1.6% respectively, compared to the achieved growth rate of 6.0% in 2021, as the economy hits capacity constraints. However, stronger population growth, residential investment and growing export opportunities provide scope for the provincial economy to expand.

In response to an increasing population, there has been an increase in housing starts over the last five years. Despite this increase, housing prices were up 26.1% in March 2022 compared to March 2021.

The following chart summarizes Halifax's housing start activity from 2007 to 2021:



Source: CMHC

New Brunswick

Twenty percent of Killam's NOI is generated by apartments in New Brunswick's three major urban centres – Fredericton, Moncton and Saint John. Fredericton is the provincial capital and home to the province's largest university and a significant public-sector workforce. Moncton is the province's largest city and is a transportation and distribution hub for Atlantic Canada. New Brunswick saw a significant increase in net migration from other provinces during the pandemic, as noted in Scotiabank's January 2022 Provincial Analysis, the vast majority from Ontario. New Brunswick saw an increase in both immigration and net interprovincial migration in the last six years, leading to population growth in the province and its core cities. This has led to decreased vacancy in the region; according to CMHC, New Brunswick's vacancy decreased to 1.7% in 2021, compared to 3.0% in 2020.

According to RBC's March 2022 Provincial Outlook report, New Brunswick's outlook for 2022 is positive, with expected growth of 2.6% in 2022 and 1.5% in 2023, which is expected to more than reverse the 3.2% decline in 2020. RBC reports New Brunswick's economic growth is expected to remain strong, as lumber and energy exports, demand for housing, and tourism continue to drive growth.

St. John's, Newfoundland

Four percent of Killam's NOI is generated by apartments in St. John's, Newfoundland. RBC's March 2022 Provincial Outlook report noted that Newfoundland's economy is projected to have a more delayed recovery from the 2020 downturn compared to other provinces, with a full recovery projected to occur in 2023. The projected GDP growth rate is 2.5% in 2022 and 3.0% in 2023. One of the main impediments the province faces is declining capital investment as significant projects wind down. However, higher mineral production, retail sales growth and rebounding tourism are expected to drive economic growth in 2022. CMHC reported the St. John's vacancy rate was 3.3% in 2021, down from 7.3% in 2020.

Prince Edward Island

Five percent of Killam's NOI is generated by apartments in Prince Edward Island. According to RBC's December 2021 and March 2022 Provincial Outlook reports, PEI's economy appears to have fully recovered to pre-pandemic levels. CMHC reported the region's vacancy rate decreased by 90 bps to 1.3% in 2021, in line with 2019's vacancy rate of 1.1%. Strong residential investment, further recovery in the manufacturing sector and consumer spending are expected to drive GDP growth at a rate of 2.7% in 2022 and 1.7% in 2023. Prince Edward Island is seeing strong population growth driven by immigration and net interprovincial migration.

Ontario

Killam's Ontario apartment portfolio generated 18.4% of NOI for the three months ended March 31, 2022. RBC's March 2022 Provincial Outlook reported Ontario's projected GDP growth rate to be 4.2% in 2022 and 2.8% in 2023. According to CMHC, vacancy rates in Ontario increased slightly to 3.4% in 2021, compared to 3.2% in 2020, as the market appears to be responding to 76,110 new units entering the market in 2021. Ontario's economy is expected to recover to pre-pandemic levels in 2022 as supply chain issues ease and consumer spending continues to expand.

Alberta

Nine percent of Killam's NOI was earned in Alberta for the three months ended March 31, 2022. According to RBC's March 2022 Provincial Outlook report, Alberta is expected to lead national growth in 2022, with its strongest expansion since 2011. Increased oil production and capital investments into the energy sector, increased housing starts and recovery of the agricultural sector are expected to have positive impacts on the economy in 2022. The projected GDP growth rate is 5.8% in 2022 and 3.8% in 2023, which would allow the economy to recover to pre-pandemic levels after the nearly 8.0% decline in GDP in 2020. CMHC reported that 25,195 new units entered the market in 2021, with vacancy rates in the region decreasing slightly to 6.5%, compared to 6.9% in 2020.

British Columbia

Killam earned 2.7% of NOI in the British Columbia market for the three months ended March 31, 2022. RBC's March 2022 Provincial Outlook reported British Columbia as having some of the strongest economic growth in Canada, projecting GDP growth rates of 4.3% in 2022 and 2.6% in 2023. Growth in the province is aided by the wider re-opening of the Canadian border, contributing to renewed immigration and tourism, which is leading to increased consumption and investment. Net migration from other provinces reached a 25-year high during the pandemic, and RBC expects a sharp rise in immigration in 2022 will boost population growth to pre-pandemic levels. This is in line with a drop in vacancy rates in the region, which decreased to 1.4% in 2021, compared to 2.5% in 2020, as reported by CMHC.

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

PART IV

Q1-2022 Operational and Financial Results

Consolidated Results

For the three months ended March 31,

	Total Portfolio			Same Property [(1)]		
	2022	2021	% Change	**2022**	2021	% Change
Property revenue	**$77,464**	$67,374	15.0%	**$69,500**	$66,105	5.1%
Property operating expenses						
General operating expenses	**12,218**	11,238	8.7%	**10,899**	10,704	1.8%
Utility and fuel expenses	**9,693**	7,259	33.5%	**8,539**	7,043	21.2%
Property taxes	**10,290**	8,614	19.5%	**8,814**	8,354	5.5%
Total operating expenses	**$32,201**	$27,111	18.8%	**$28,252**	$26,101	8.2%
NOI	**$45,263**	$40,263	12.4%	**$41,248**	$40,004	3.1%
Operating margin %	**58.4%**	59.8%	(140) bps	**59.3%**	60.5%	(120) bps

(1) Same property results excludes acquisitions and developments completed during the comparable 2022 and 2021 periods, which are classified as non-same property. For the three months ended March 31, 2022, NOI contributions from acquisitions and developments completed in 2021 and 2022 were $4.6 million and $0.02 million. For the three months ended March 31, 2021, the NOI contribution from acquisitions and developments completed in 2021 was $1.0 million.

For the three months ended March 31, 2022, Killam achieved strong overall portfolio performance. This strength, along with contributions from acquisitions and developments, resulted in 12.4% NOI growth for the three months ended March 31, 2022.

Same property results include properties owned during comparable 2022 and 2021 periods. Same property results represent 90.5% of the fair value of Killam's investment property portfolio as at March 31, 2022. Non-same property results include acquisitions, dispositions and developments completed in 2021 and 2022 and commercial assets acquired for future residential development.

Same property revenue grew by 5.1% for the three months ended March 31, 2022, as compared to the same period of 2021. This growth was driven by an impressive 220 bps increase in apartment occupancy due to strong market conditions, rental rate growth and growth in commercial revenues.

Total same property operating expenses increased 8.2% for the three months ended March 31, 2022, compared to the same period of 2021. The increase was driven by a 21.2% increase in utility and fuel expenses due to increases in natural gas pricing across Killam's regions and a colder winter. In addition, property taxes increased 5.5% and general operating expenses increased 1.8%.

Overall, same property NOI grew by 3.1% for the three months ended March 31, 2022.

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

Apartment Results

For the three months ended March 31,	Total			Same Property		
	2022	2021	% Change	**2022**	2021	% Change
Property revenue	**$69,341**	$59,932	15.7%	**$62,647**	$59,583	5.1%
Property operating expenses						
General operating expenses	**10,529**	9,281	13.4%	**9,438**	9,195	2.6%
Utility and fuel expenses	**8,803**	6,519	35.0%	**7,902**	6,478	22.0%
Property taxes	**9,209**	7,542	22.1%	**7,956**	7,452	6.8%
Total operating expenses	**$28,541**	$23,342	22.3%	**$25,296**	$23,125	9.4%
NOI	**$40,800**	$36,590	11.5%	**$37,351**	$36,458	2.5%
Operating margin %	**58.8%**	61.1%	(230) bps	**59.6%**	61.2%	(160) bps

Apartment Revenue

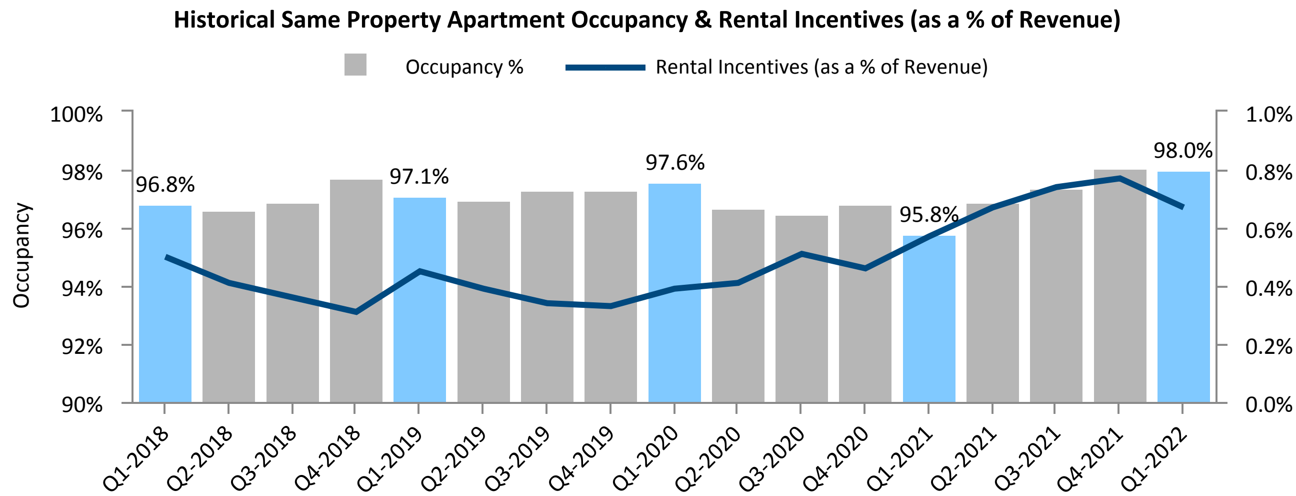
Total apartment revenue for the three months ended March 31, 2022, was $69.3 million, an increase of 15.7% over the same period of 2021. Revenue growth was augmented by contributions from recently acquired and developed properties. Same property apartment revenue increased 5.1% for the three months ended March 31, 2022, driven by a 220 bps increase in occupancy and rental rate growth. The operating margin on Killam's same property apartment portfolio was down 160 bps to 59.6%, due to the significant increase in utility and fuel expenses during the quarter.

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

		Total Occupancy			Same Property Occupancy		
For the three months ended March 31,	# of Units	**2022**	2021	Change (bps)	**2022**	2021	Change (bps)
Nova Scotia							
Halifax	5,959	**99.2%**	97.0%	220	**99.2%**	97.0%	220
Ontario							
Ottawa (2)	1,424	**81.9%**	93.5%	(1,160)	**93.4%**	93.5%	(10)
London	523	**99.0%**	95.2%	380	**99.0%**	95.2%	380
KWC-GTA	1,627	**99.0%**	97.8%	120	**98.9%**	97.9%	100
New Brunswick							
Moncton	2,342	**98.0%**	95.6%	240	**98.7%**	95.6%	310
Fredericton	1,529	**98.1%**	98.2%	(10)	**98.1%**	98.2%	(10)
Saint John	1,202	**98.2%**	97.5%	70	**98.2%**	97.5%	70
Newfoundland and Labrador							
St. John's	1,103	**94.5%**	88.6%	590	**94.5%**	88.6%	590
Prince Edward Island							
Charlottetown	1,249	**99.5%**	92.4%	710	**99.7%**	93.7%	600
Alberta							
Calgary (3)	764	**94.9%**	75.8%	1,910	**93.4%**	91.4%	200
Edmonton	882	**93.5%**	93.6%	(10)	**94.6%**	93.6%	100
British Columbia							
Victoria	366	**99.5%**	97.7%	180	**99.5%**	97.7%	180
Total Apartments (weighted average)	**18,970**	**97.0%**	94.9%	210	**98.0%**	95.8%	220

(1) Occupancy as a percentage of residential rent is calculated as vacancy (in dollars) divided by gross potential residential rent (in dollars) for the period.
(2) Total 2022 occupancy for Ottawa was impacted by Latitude, a recently completed 208-unit development property which was undergoing initial lease-up during the first quarter.
(3) Total 2021 occupancy for Calgary was impacted by Nolan Hill, a 233-unit development which was undergoing initial lease-up during the first half of 2021.

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



Killam continues to see an uptick in rental incentives as a percentage of total revenue during Q1-2022 compared to Q1-2021, due primarily to its Alberta and Ottawa portfolios, which saw 39% and 134% increases in rental incentives during the first quarter. Rental incentives were relatively flat across all other regions.

Average Rent Analysis by Core Market

As at March 31,

		Average Rent			Same Property Average Rent		
	# of Units	**2022**	2021	% Change	**2022**	2021	% Change
Nova Scotia							
Halifax	5,959	**$1,241**	$1,192	4.1%	**$1,239**	$1,193	3.9%
Ontario							
Ottawa	1,424	**$1,874**	$1,802	4.0%	**$1,837**	$1,802	1.9%
London	523	**$1,405**	$1,373	2.3%	**$1,405**	$1,373	2.3%
KWC-GTA	1,627	**$1,437**	$1,562	(8.0)%	**$1,622**	$1,562	3.8%
New Brunswick							
Moncton	2,342	**$1,089**	$1,042	4.5%	**$1,068**	$1,039	2.8%
Fredericton	1,529	**$1,132**	$1,071	5.7%	**$1,132**	$1,071	5.7%
Saint John	1,202	**$930**	$884	5.2%	**$930**	$884	5.2%
Newfoundland and Labrador							
St. John's	1,103	**$988**	$976	1.2%	**$992**	$976	1.6%
Prince Edward Island							
Charlottetown	1,249	**$1,110**	$1,089	1.9%	**$1,086**	$1,072	1.3%
Alberta							
Calgary	764	**$1,278**	$1,308	(2.3)%	**$1,274**	$1,262	1.0%
Edmonton	882	**$1,491**	$1,476	1.0%	**$1,478**	$1,476	0.1%
British Columbia							
Victoria	366	**$1,793**	$1,737	3.2%	**$1,793**	$1,737	3.2%
Total Apartments (weighted average)	**18,970**	**$1,242**	$1,193	4.1%	**$1,229**	$1,190	3.3%

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

Same Property Rental Increases – Tenant Renewals versus Unit Turns

The rental increases in the table below reflect rental increases achieved on units renewed or turned for the three months ended March 31, 2022, whereas rental increases in the previous section reflect the year-over-year change in average rent by region as at March 31 2022, compared to March 31, 2021.

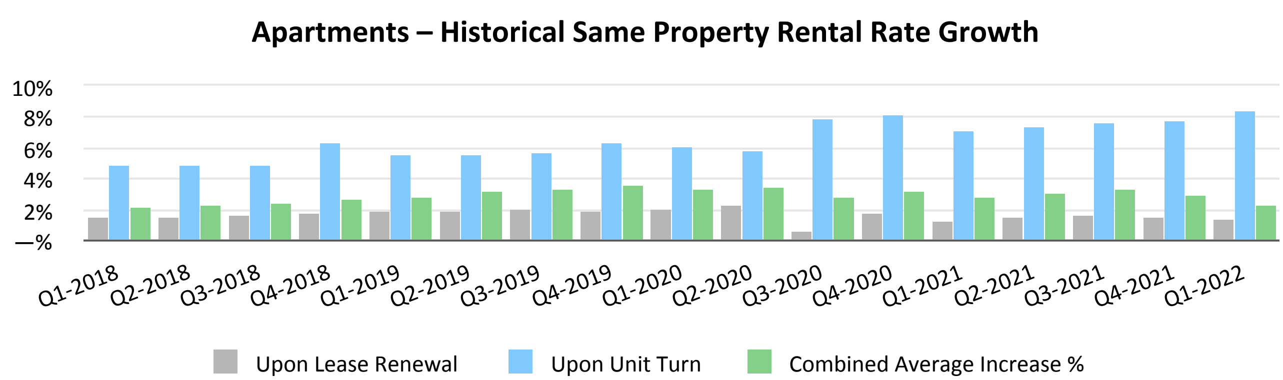
Killam historically turned approximately 30%–32% of its units each year; however, the trend has declined over the past two years. Turnover levels in 2020 were down 160 bps from 2019 at approximately 29%, with a further decrease in 2021 to approximately 26%, due to the tightening of the housing and rental markets across Canada.

Upon turn, Killam will typically generate rental increases by moving rental rates to market and, where market demand exists, by upgrading units for unlevered returns of 10%–15% on capital invested. As measured by units that turned or renewed in Q1-2022, Killam saw a 60 bps decrease in its same property weighted average rental increase to 2.3%, compared to 2.9% for Q1-2021. This decline was mainly driven by the higher lease renewal percentage of 87.2% in Q1-22 compared to 73.7% in Q1-21, as all Ontario leases were renewed on January 1, 2022. Rental increases on unit turns during the first quarter increased compared to Q1-2021, as strong fundamentals drove higher market rents. The chart below summarizes the rental increases earned during the three months ended March 31, 2022 and 2021.

	For the three months ended March 31,			
	2022		2021	
	Rental Increases	Turnovers & Renewals (1)	Rental Increases	Turnovers & Renewals (1)
Lease renewal	**1.4%**	**87.2%**	1.3%	73.7%
Unit turn – regular	**5.5%**	**10.9%**	4.4%	22.6%
Unit turn – repositioned (2)	**29.9%**	**1.9%**	26.4%	3.7%
Rental increase (weighted avg)	**2.3%**		2.9%	

(1) The percentage of total units renewed and turned during the three months ended March 31, 2021, was 31.2% (March 31, 2021 - 20.1%).
(2) The weighted average rental lift on the units repositioned is based on the 113 units re-leased during the three months ended March 31, 2022 (March 31, 2021 - 130 units).

The following chart summarizes the weighted-average rental rate increases achieved by quarter on lease turns and renewals.



Apartment Expenses

Total operating expenses for the three months ended March 31, 2022, were $28.5 million, a 22.3% increase over the same period of 2021, due primarily to incremental costs associated with recent acquisitions and developments.

Total same property operating expenses increased by 9.4% for the three months ended March 31, 2022. The increase was driven by a 22.0% increase in utility and fuel expenses due to increases in natural gas costs as a result of higher gas prices across all of Killam's regions, with a weighted average price increase of 39% for the quarter, coupled with increased consumption due to a colder winter. Oil and propane costs also increased significantly, up 47% from Q1-2021.

Property Operating Expenses

Property operating expenses for the apartment portfolio include repairs and maintenance, contract services, insurance, property management and property management wages and benefits, uncollectible accounts, marketing, advertising and leasing costs. The increase in same property general operating costs of 2.6% for the three months ended March 31, 2022, was largely due to higher insurance premiums, increased contract service costs and higher property administration expenses.

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

Same Property Utility and Fuel Expenses

	Three months ended March 31,		
	2022	2021	% Change
Natural gas	**$3,527**	$2,441	44.5%
Electricity	**2,249**	2,173	3.5%
Water	**1,558**	1,474	5.7%
Oil & propane	**549**	373	47.2%
Other	**19**	17	11.8%
Total utility and fuel expenses	**$7,902**	$6,478	22.0%

Killam's apartments are heated with natural gas (56%), electricity (36%), oil (3%), district heat (2%), geothermal (2%) and propane (less than 1%). Electricity costs relate primarily to common areas, as unit electricity costs are typically paid by tenants, reducing Killam's exposure to the majority of Killam's 6,000 apartments heated with electricity. Fuel costs associated with central natural gas or oil-fired heating plants are paid by Killam. Killam is replacing oil-fired heating plants with alternative fuel sources when appropriate.

Utility and fuel expenses accounted for approximately 31% of Killam's total apartment same property operating expenses for the three months ended March 31, 2022. Total same property utility and fuel expenses increased 22.0% as a result of increases in commodity pricing and a colder winter, compared to Q1-2021.

Same property natural gas expense increased 44.5% for the three months ended March 31, 2022, due to increases in natural gas pricing and a colder winter in Killam's largest regions. This included commodity pricing increases of 51% in Nova Scotia, 37% in Ontario and 14% in New Brunswick, compared to Q1-2021.

Electricity costs increased 3.5% for the three months ended March 31, 2022, primarily due to increased pricing and consumption as a result of colder temperatures, partially offset by a reduction of unit electricity being included as part of a tenant's monthly rent in certain regions, given strong market fundamentals.

Heating oil and propane costs increased by 47.2% for the three months ended March 31, 2022, compared to the same period of 2021, as a result of a 37% increase in oil prices quarter-over-quarter, coupled with a colder winter. The majority of Killam's heating oil and propane costs are in Prince Edward Island.

Property Taxes

Property tax expense for the three months ended March 31, 2022, was $8.0 million, a 6.8% increase from the same period of 2021. Killam experienced property tax increases across the majority of its markets, including 15% in New Brunswick and 6% in Nova Scotia. Killam actively reviews its property tax assessments and appeals tax assessment increases wherever possible to minimize this impact.

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

Apartment Same Property NOI by Region

Three months ended March 31,

	Property Revenue			Property Expenses			Net Operating Income		
	2022	2021	% Change	**2022**	2021	% Change	**2022**	2021	% Change
Nova Scotia									
Halifax	**$23,126**	$21,809	6.0%	**($8,971)**	($7,987)	12.3%	**$14,155**	$13,822	2.4%
	$23,126	21,809	6.0%	**(8,971)**	(7,987)	12.3%	**$14,155**	13,822	2.4%
Ontario									
Ottawa	**3,947**	3,906	1.0%	**(1,359)**	(1,292)	5.2%	**2,588**	2,614	(1.0)%
London	**2,198**	2,084	5.5%	**(841)**	(758)	10.9%	**1,357**	1,326	2.3%
KWC-GTA	**4,348**	4,192	3.7%	**(1,426)**	(1,378)	3.5%	**2,922**	2,814	3.8%
	10,493	10,182	3.1%	**(3,626)**	(3,428)	5.8%	**6,867**	6,754	1.7%
New Brunswick									
Moncton	**7,331**	6,932	5.8%	**(3,423)**	(3,091)	10.7%	**3,908**	3,841	1.7%
Fredericton	**5,338**	5,058	5.5%	**(2,271)**	(2,090)	8.7%	**3,067**	2,968	3.3%
Saint John	**3,453**	3,252	6.2%	**(1,854)**	(1,697)	9.3%	**1,599**	1,555	2.8%
	16,122	15,242	5.8%	**(7,548)**	(6,878)	9.7%	**8,574**	8,364	2.5%
Newfoundland & Labrador									
St. John's	**3,065**	2,816	8.8%	**(1,102)**	(1,094)	0.7%	**1,963**	1,722	14.0%
	3,065	2,816	8.8%	**(1,102)**	(1,094)	0.7%	**1,963**	1,722	14.0%
Prince Edward Island									
Charlottetown	**3,733**	3,473	7.5%	**(1,772)**	(1,583)	11.9%	**1,961**	1,890	3.8%
	3,733	3,473	7.5%	**(1,772)**	(1,583)	11.9%	**1,961**	1,890	3.8%
Alberta									
Calgary	**1,996**	1,994	0.1%	**(815)**	(757)	7.7%	**1,181**	1,237	(4.5)%
Edmonton	**2,377**	2,399	(0.9)%	**(943)**	(916)	2.9%	**1,434**	1,483	(3.3)%
	4,373	4,393	(0.5)%	**(1,758)**	(1,673)	5.1%	**2,615**	2,720	(3.9)%
British Columbia									
Victoria	**1,735**	1,668	4.0%	**(519)**	(482)	7.7%	**1,216**	1,186	2.5%
	$62,647	$59,583	5.1%	**($25,296)**	($23,125)	9.4%	**$37,351**	$36,458	2.5%

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

MHC Results

For the three months ended March 31,

	Total Portfolio			Same Property		
	2022	2021	% Change	**2022**	2021	% Change
Property revenue	**$3,515**	$3,348	5.0%	**$3,511**	$3,398	3.3%
Property operating expenses	**1,508**	1,624	(7.1)%	**1,543**	1,489	3.6%
NOI	**$2,007**	$1,724	16.4%	**$1,968**	$1,909	3.1%
Operating margin %	**57.1%**	51.5%	560 bps	**56.1%**	56.2%	(10) bps

The MHC business generated 4.4% of Killam's NOI for the three months ended March 31, 2022. The MHC portfolio generates its highest revenues and NOI during the second and third quarters of each year due to the contribution from its nine seasonal resorts that earn approximately 60% of their NOI between July and October. Overall, the MHC portfolio generated same property NOI growth of 3.1% for the three months ended March 31, 2022. This growth is mainly attributable to a 2.5% increase in lot rent and higher ancillary revenue.

Commercial Results

For the three months ended March 31,

	Total Portfolio			Same Property		
	2022	2021	% Change	**2022**	2021	% Change
Property revenue	**$4,608**	$4,094	12.6%	**$3,342**	$3,125	6.9%
Property operating expenses	**2,152**	2,145	0.3%	**1,413**	1,488	(5.0)%
NOI	**$2,456**	$1,949	26.0%	**$1,929**	$1,637	17.8%

Killam's commercial property portfolio contributed $2.5 million, or 5.5%, of Killam's total NOI for the three months ended March 31, 2022.

Killam's commercial property portfolio totals 946,372 SF, located in four of Killam's core markets. The commercial portfolio includes Westmount Place, a 300,000 SF retail and office complex located in Waterloo; Royalty Crossing, a 383,000 SF shopping mall in PEI for which Killam has a 75% interest and is the property manager; the Brewery Market, a 180,000 SF retail and office property in downtown Halifax, and other smaller properties located in Halifax and Moncton. Total commercial occupancy was 92.4% for Q1-2022, compared to 89.7% in Q1-2021.

The increase in NOI during the three months ended March 31, 2022, relates largely to the acquisition of the additional ownership of Royalty Crossing, along with an increase in occupancy. Commercial same property results represent approximately 60.3% of Killam's commercial square footage. Same property results do not include properties that were recently acquired or those that are slated for redevelopment and not operating as stabilized properties. Same property growth during the quarter is attributable to increased occupancy and net rent growth.

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

PART V

Other Income and Expenses and Net Income

Net Income and Other Comprehensive Income

	Three months ended March 31,		
	2022	2021	% Change
Net operating income	**$45,263**	$40,263	12.4%
Other income	**379**	237	59.9%
Financing costs	**(13,269)**	(12,348)	7.5%
Depreciation	**(139)**	(133)	4.5%
Administration	**(4,265)**	(3,653)	16.8%
Fair value adjustment on unit-based compensation	**1,084**	(211)	(613.7)%
Fair value adjustment on exchangeable units	**8,689**	(5,742)	(251.3)%
Fair value adjustment on investment properties	**27,988**	13,809	102.7%
Income before income taxes	**65,730**	32,222	104.0%
Deferred tax expense	**(5,703)**	(4,800)	18.8%
Net income and comprehensive income	**$60,027**	$27,422	118.9%

Net income and comprehensive income increased $32.6 million for the three months ended March 31, 2022, as a result of $28.0 million of fair value gains on Killam's investment properties and a $5.0 million increase in net operating income driven by acquisitions and same property NOI growth. These factors were offset by a $0.9 million increase in deferred tax expense.

Financing Costs

	Three months ended March 31,		
	2022	2021	% Change
Mortgage, loan and construction loan interest	**$12,375**	$11,139	11.1%
Interest on credit facilities	**197**	307	(35.8)%
Interest on exchangeable units	**701**	697	0.6%
Amortization of deferred financing costs	**860**	877	(1.9)%
Amortization of fair value adjustments on assumed debt	**20**	12	66.7%
Unrealized gain on derivative liability	**(108)**	(40)	170.0%
Interest on lease liabilities	**98**	97	1.0%
Capitalized interest	**(874)**	(741)	17.9%
	$13,269	$12,348	7.5%

Total financing costs increased $0.9 million, or 7.5%, for the three months ended March 31, 2022, as compared to the same period of 2021. Mortgage, loan and construction loan interest expense was $12.4 million for the three months ended March 31, 2022, an increase of $1.2 million, or 11.1%, compared to the same period of 2021. Killam's mortgage, loan and construction loan liability balance increased by $282.8 million over the past 12 months as Killam upfinanced maturing mortgages within its existing portfolio and obtained financing for acquisitions. The average interest rate on refinancings for the three months ended March 31, 2022, was 3.08%, 3 bps lower than the average interest rate on expiring debt, and same property interest expense decreased $0.1 million quarter-over-quarter.

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 mortgages. CMHC insurance fees are amortized over the amortization period of the mortgage. Deferred financing costs amortization decreased 1.9% for the three months ended March 31, 2022.

Capitalized interest increased 17.9% for the three months ended March 31, 2022, compared to the same period of 2021. Capitalized interest will vary depending on the number of development projects underway and their stages in the development cycle. Interest costs associated with development projects are capitalized to the respective development property until substantial completion.

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

Administration Expenses

	Three months ended March 31,		
	2022	2021	% Change
Administration	**$4,265**	$3,653	16.8%
As a percentage of total revenues	**5.5%**	5.4%	10 bps

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

For the three months ended March 31, 2022, total administration expenses increased $0.6 million, or 16.8%, compared to the same period of 2021, due to costs associated with Killam's annual incentive plan based on year-to-date results, as well as higher information technology costs. Administration expenses as a percentage of total revenue were 5.5% for Q1-2022, a 10 bps increase over Q1-2021.

Fair Value Adjustments

	Three months ended March 31,		
	2022	2021	% Change
Investment properties	**$27,988**	$13,809	102.7%
Deferred unit-based compensation	**1,084**	(211)	(613.7)%
Exchangeable units	**8,689**	(5,742)	(251.3)%
	$37,761	$7,856	380.7%

Killam recognized $28.0 million in fair value gains related to its investment properties for the three months ended March 31, 2022, compared to $13.8 million in fair value gains for the three months ended March 31, 2021. The increase in fair value gains recognized is due to continued high demand for apartments across the country driving NOI growth.

RTUs governed by Killam's RTU Plan are awarded to certain members of Management as a portion of their compensation. Non-executive members of the Board of Trustees have the right to receive a percentage of their annual retainer in the form of RTUs. This aligns the interests of Management and the Trustees with those of unitholders. For the three months ended March 31, 2022, there was an unrealized fair value gain of $1.1 million, compared to a $0.2 million loss for the same period of 2021, due to changes in the market price of the underlying Killam trust units.

Distributions paid on exchangeable units are consistent with distributions paid to Killam's unitholders. The exchangeable units are redeemable on a one-for-one basis into trust units at the option of the holder. The fair value of the exchangeable units is based on the trading price of Killam's trust units. For the three months ended March 31, 2022, there was an unrealized gain on remeasurement of $8.7 million, compared to an unrealized loss of $5.7 million in Q1-2021. The unrealized gain in the quarter reflects a decrease in Killam's unit price as at March 31, 2022, compared to December 31, 2021.

Deferred Tax Expense

	Three months ended March 31,		
	2022	2021	% Change
	$5,703	$4,800	18.8%

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

Killam's deferred tax expense increased $0.9 million for the three months ended March 31, 2022, compared to the same period of 2021, primarily due to fair value gains on investment properties during the quarter.

PART VI

Per Unit Calculations

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

	Weighted Average Number of Units (000s)			Outstanding Number of Units (000s) as at March 31,
	Three months ended March 31,			
	2022	2021	% Change	**2022**
Trust units	**113,594**	103,407	9.9%	**115,612**
Exchangeable units	**4,004**	4,102	(2.4)%	**4,004**
Basic number of units	**117,598**	107,509	9.4%	**119,616**
Plus:				
Units under RTU plan (1)	**167**	160	4.4%	—
Diluted number of units	**117,765**	107,669	9.4%	—

(1) Units are shown on an after-tax basis. RTUs are net of attributable personal taxes when converted to REIT units.

Funds from Operations

FFO is recognized as an industry-wide standard measure of a real estate entity's operating performance, and Management considers FFO per unit to be a key measure of operating performance. REALPAC, Canada's senior national industry association for owners and managers of investment real estate, has recommended guidelines for a standard industry calculation of FFO based on IFRS. Killam calculates FFO in accordance with the REALPAC definition. Notwithstanding the foregoing, FFO does not have a standardized meaning under IFRS and is considered a non-IFRS financial measure; therefore, it may not be comparable to similarly titled measures presented by other publicly traded companies. FFO for the three months ended March 31, 2022 and 2021 are calculated as follows:

	Three months ended March 31,		
	2022	2021	% Change
Net income	**$60,027**	$27,422	118.9%
Fair value adjustments	**(37,761)**	(7,856)	380.7%
Non-controlling interest	**(3)**	(2)	50.0%
Internal commercial leasing costs	**75**	52	44.2%
Deferred tax expense	**5,703**	4,800	18.8%
Interest expense on exchangeable units	**701**	697	0.6%
Unrealized gain on derivative liability	**(108)**	(40)	170.0%
Depreciation on owner-occupied building	**25**	27	(7.4)%
Change in principal related to lease liabilities	**6**	7	(14.3)%
FFO	**$28,665**	$25,107	14.2%
FFO per unit – basic	**$0.24**	$0.23	4.3%
FFO per unit – diluted	**$0.24**	$0.23	4.3%
Weighted average number of units – basic (000s)	**117,598**	107,509	9.4%
Weighted average number of units – diluted (000s)	**117,765**	107,669	9.4%

Killam earned FFO of $28.7 million, or $0.24 per unit (diluted), for the three months ended March 31, 2022, compared to $25.1 million, or $0.23 per unit (diluted), for the three months ended March 31, 2021. FFO growth is primarily attributable to contributions from acquisitions and completed developments ($2.6 million) and same property NOI growth ($1.2 million). These increases were partially offset by a 9.4% increase in the weighted average number of units outstanding.

Adjusted Funds from Operations

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

Killam uses a rolling three-year historic average of actual maintenance capex for its apartment and MHC portfolios to calculate AFFO. For 2021, this included a maintenance capex reserve of $900 per apartment unit, $300 per MHC site and $0.80 per SF for commercial properties. Details regarding the maintenance capex calculations are included in Killam's 2021 MD&A.

The weighted average number of units, MHC sites and square footage owned during the quarter were used to determine the capital adjustment applied to FFO to calculate AFFO:

	Three months ended March 31,		
	2022	2021	% Change
FFO	**$28,665**	$25,107	14.2%
Maintenance capital expenditures	**(4,733)**	(4,369)	8.3%
Commercial straight-line rent adjustment	**(114)**	(173)	(34.1)%
Internal commercial leasing costs	**(79)**	(79)	—%
AFFO	**$23,739**	$20,486	15.9%
AFFO per unit – basic	**$0.20**	$0.19	5.3%
AFFO per unit – diluted	**$0.20**	$0.19	5.3%
AFFO payout ratio – diluted	**87%**	89%	(200) bps
AFFO payout ratio – rolling 12 months (1)	**76%**	81%	(500) bps
Weighted average number of units – basic (000s)	**117,598**	107,509	9.4%
Weighted average number of units – diluted (000s)	**117,765**	107,699	9.3%

(1) Based on Killam's annual distribution of $0.69166 for the 12-month period ended March 31, 2022, and $0.68004 for the 12-month period ended March 31, 2021.

The payout ratio of 87% in Q1-2022, compared to the rolling 12-month payout ratio of 76%, corresponds with the seasonality of Killam's business. Killam's first quarter typically has the highest payout ratio due to the lower operating margin in the period attributable to higher heating costs in the winter months. In addition, the MHC portfolio typically generates its highest revenues and NOI during the second and third quarters of the year due to the contribution from its seasonal resorts that generate approximately 60% of their NOI between July and October each year.

The improvement in the AFFO payout ratio for the three months ended March 31, 2022, is attributable to higher AFFO per unit growth of 5.3%, driven by strong same property results and contributions from acquisitions and completed developments. Killam’s Board of Trustees evaluates the Trust’s payout ratio quarterly. The Board of Trustees has not established an AFFO payout target.

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

Adjusted Cash Flow from Operations

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

Killam calculates ACFO in accordance with the REALPAC definition but may differ from other REITs' methods and, accordingly, may not be comparable to ACFO reported by other issuers. ACFO is adjusted each quarter for fluctuations in non-cash working capital not indicative of sustainable cash flows, including prepaid property taxes, prepaid insurance and construction holdbacks related to developments. ACFO is also adjusted quarterly for capital expenditure accruals, which are not related to sustainable operating activities.

A reconciliation from cash provided by operating activities (refer to the condensed consolidated interim statements of cash flows for the three months ended March 31, 2022 and 2021) to ACFO is as follows:

	Three months ended March 31,		
	2022	2021	% Change
Cash provided by operating activities	**$23,799**	$27,755	(14.3)%
Adjustments:			
Changes in non-cash working capital not indicative of sustainable cash flows	**5,409**	(2,475)	318.5%
Maintenance capital expenditures	**(4,733)**	(4,369)	8.3%
Internal commercial leasing costs	**(118)**	(42)	181.0%
Amortization of deferred financing costs	**(860)**	(877)	(1.9)%
Interest expense related to lease liability	**(6)**	(7)	(14.3)%
Non-controlling interest	**(3)**	(2)	50.0%
ACFO	**$23,488**	$19,983	17.5%
Distributions declared [(1)]	**20,891**	18,531	12.7%
Excess of ACFO over cash distributions	**$2,597**	$1,452	78.9%
ACFO payout ratio – diluted [(2)]	**89%**	93%	(400) bps

(1) Includes distributions on trust units, exchangeable units and restricted trust units, as summarized on page 36.
(2) Based on Killam's monthly distribution of $0.05667 per unit for April 2021 to August 2021, and $0.05833 for September 2021 to March 2022.

Killam's ACFO payout ratio is 89% for the three months ended March 31, 2022, lower than the payout ratio for the three months ended March 31, 2021. Similarly to the AFFO payout ratio, Killam's first quarter typically has the highest ACFO payout ratio due to the lower operating margin in the period attributable to higher heating costs in the winter and the fact the MHC portfolio typically generates its highest revenues and NOI during the second and third quarters of the year.

Cash Provided by Operating Activities and Distributions Declared

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

	Three months ended March 31,	
	2022	2021
Net income	**$60,027**	$27,422
Cash provided by operating activities	**$23,799**	$27,755
Total distributions declared	**$20,891**	$18,531
Excess of net income over total distributions declared	**$39,136**	$8,891
Excess of net income over net distributions paid [(1)]	**$45,618**	$14,941
Excess of cash provided by operating activities over total distributions declared	**$2,908**	$9,224

(1) Killam has a distribution reinvestment plan, which allows unitholders to elect to have all cash distributions from the Trust reinvested in additional units.

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

PART VII

Liquidity and Capital Resources

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

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

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

(ii) Killam currently has capacity of approximately $200.0 million of capital under its credit facilities and cash on hand and acquisition capacity of over $300.0 million.

(iii) Mortgage refinancings and construction loans are expected to be sufficient to fund value-enhancing capex, principal repayments and developments. Killam has $125.0 million of mortgage debt scheduled for refinancing in the remainder of 2022, expected to lead to upfinancing opportunities of approximately $45.0 million.

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

(v) Killam has unencumbered assets of approximately $50.0 million, for which debt could be placed.

Killam is in compliance with all financial covenants contained in the DOT and through its credit facilities. Under the DOT, total indebtedness of Killam is limited to 70% of gross book value determined as the greater of (i) the value of Killam's assets as shown on the most recent condensed consolidated interim statement of financial position and (ii) the historical cost of Killam's assets. Total debt as a percentage of assets as at March 31, 2022, was 43.3%.

Killam has financial covenants on its credit facilities. The covenants require Killam to maintain a leverage limit of not more than 70% of debt to total assets, debt to service coverage of not less than 1.3 times and unitholders' equity of not less than $900.0 million. As at May 4, 2022, Killam was in compliance with said covenants.

The table below outlines Killam's key debt metrics:

As at	March 31, 2022	December 31, 2021	Change
Weighted average years to debt maturity	**4.0**	4.0	—
Total debt as a percentage of total assets	**43.3%**	45.0%	(170) bps
Interest coverage	**3.58x**	3.53x	1.4%
Debt service coverage	**1.53x**	1.53x	—%
Debt to normalized EBITDA [(1)]	**10.94x**	11.33x	(3.4)%
Weighted average mortgage interest rate	**2.58%**	2.58%	— bps
Weighted average interest rate of total debt	**2.56%**	2.52%	4 bps

(1) Ratio calculated net of cash.

Killam's primary measure of capital management is the total debt as a percentage of total assets ratio. The calculation of the total debt as a percentage of total assets is summarized as follows:

As at	March 31, 2022	December 31, 2021
Mortgages and loans payable	**$1,914,333**	$1,915,334
Credit facilities	**$13,526**	$61,730
Construction loans	**$91,348**	$77,596
Total interest bearing debt	**$2,019,207**	$2,054,660
Total assets [(1)]	**$4,665,584**	$4,568,903
Total debt as a percentage of total assets	**43.3%**	45.0%

(1) Excludes right-of-use asset of $9.6 million as at March 31, 2022 (December 31, 2021 - $9.6 million).

Total debt as a percentage of total assets was 43.3% at March 31, 2022, compared to 45.0% at December 31, 2021. The decrease in total leverage is attributable to the repayment of the balance on Killam's credit facility with funds from the equity raise completed in February 2022 and fair value gains related to NOI growth. Management is focused on maintaining conservative debt levels. Total debt to total assets is sensitive to changes in the fair value of investment properties, in particular cap-rate changes.

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

The quantitative sensitivity analysis shown below illustrates the value increase or decrease in Killam's debt to asset ratio given the change in the noted input:

Cap-Rate Sensitivity Increase (Decrease)	Fair Value of Investment Properties (1)	Total Assets	Total Debt as % of Total Assets	Change (bps)
(0.50)%	$5,141,898	$5,179,962	39.0%	(430)
(0.25)%	$4,862,959	$4,901,023	41.2%	(210)
—%	$4,627,520	$4,665,584	43.3%	—
0.25%	$4,170,787	$4,208,851	48.0%	470
0.50%	$3,971,887	$4,009,951	50.4%	710

(1) The cap-rate sensitivity calculates the impact on Killam's apartment and MHC portfolios, which are valued using the direct income capitalization method, and Killam's commercial portfolio, which is valued using the discounted cash flow method.

Normalized Adjusted EBITDA

The following table reconciles Killam's net income to normalized adjusted EBITDA for the 12 months ended March 31, 2022, and December 31, 2021:

Twelve months ended,	**March 31, 2022**	December 31, 2021	% Change
Net income	**$318,132**	**$285,527**	11.4%
Deferred tax expense	**43,295**	**42,393**	2.1%
Financing costs	**52,442**	**51,521**	1.8%
Depreciation	**580**	**573**	1.2%
Fair value adjustment on unit-based compensation	**573**	**1,869**	(69.3)%
Fair value adjustment on exchangeable units	**11,676**	**26,107**	(55.3)%
Fair value adjustment on investment properties	**(253,862)**	**(239,684)**	5.9%
Adjusted EBITDA	**172,836**	168,306	2.7%
Normalizing adjustment (1)	**11,536**	12,999	(11.3)%
Normalized adjusted EBITDA	**184,372**	181,305	1.7%
Net debt	**$2,016,328**	$2,054,225	(1.8)%
Debt to normalized adjusted EBITDA	**10.94x**	11.33x	(39) bps

(1) Killam's normalizing adjustment includes NOI adjustments for recently completed acquisitions and developments, to account for the difference between NOI booked in the period and stabilized NOI over the next twelve months.

Interest and Debt Service Coverage

Rolling 12 months ending,	**March 31, 2022**	December 31, 2021	% Change
NOI	**188,235**	183,235	2.7%
Other income	**1,201**	1,059	13.4%
Administration	**(16,600)**	(15,988)	3.8%
Adjusted EBITDA	**172,836**	168,306	2.7%
Interest expense (1)	**48,301**	47,746	1.2%
Interest coverage ratio	**3.58x**	3.52x	1.7%
Principal repayments	**64,726**	62,246	4.0%
Interest expense	**48,301**	47,746	1.2%
Debt service coverage ratio	**1.53x**	1.53x	—%

(1) Interest expense includes mortgage, loan and construction loan interest and interest on credit facilities.

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

Mortgages and Other Loans

Killam's long-term debt consists largely of fixed-rate, long-term mortgages. Mortgages are secured by a first or second charge against individual properties. Killam's weighted average interest rate on mortgages as at March 31, 2022, was 2.58%, consistent with the rate as at December 31, 2021.

Refinancings

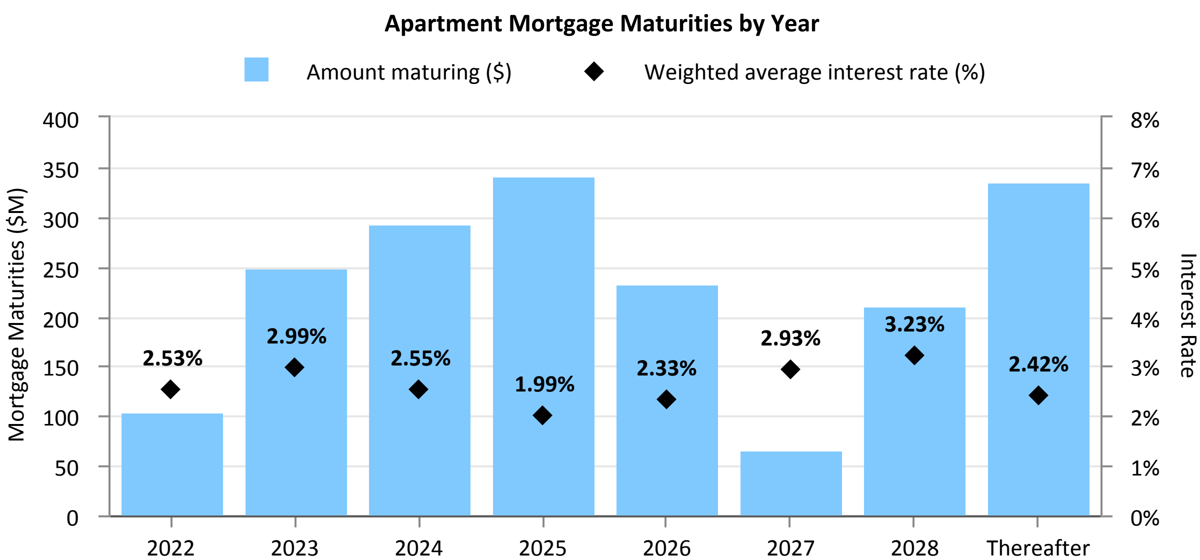
For the three months ended March 31, 2022, Killam refinanced the following mortgages:

	Mortgage Debt Maturities		Mortgage Debt on Refinancing		Weighted Average Term	Net Proceeds
Apartments	$36,181	3.11%	$58,785	3.08%	8.3 years	$22,604
	$36,181	**3.11%**	**$58,785**	**3.08%**	**8.3 years**	**$22,604**

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

	Apartments			MHCs and Commercial		Total	
Year of Maturity	Balance March 31	Weighted Avg Int. Rate %	% CMHC Insured	Balance March 31	Weighted Avg Int. Rate %	Balance March 31 (1)	Weighted Avg Int. Rate %
2022	$104,153	2.53%	52.4%	$22,700	3.58%	$126,853	2.72%
2023	249,873	2.99%	52.2%	33,204	3.62%	283,077	3.06%
2024	293,845	2.55%	73.3%	25,746	2.89%	319,591	2.57%
2025	342,468	1.99%	54.6%	21,402	2.61%	363,870	2.03%
2026	232,463	2.33%	88.2%	7,870	2.69%	240,333	2.34%
Thereafter	612,566	2.76%	97.6%	4,073	2.44%	616,639	2.76%
	$1,835,368	**2.55%**	**75.7%**	**$114,995**	**3.18%**	**$1,950,363**	**2.58%**

(1) Excludes $3.8 million in variable rate demand loans secured by development properties, which are classified as mortgages and loans payable as at March 31, 2022.



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

Access to mortgage debt is essential in refinancing maturing debt and financing acquisitions. Management has diversified Killam's mortgages to avoid dependence on any one lending institution and has staggered maturity dates to manage interest rate risk. Management anticipates continued access to mortgage debt for both acquisitions and refinancings. Access to CMHC-insured financing gives apartment owners an advantage over other asset classes, as lenders are provided a government guarantee and, therefore, are able to lend at more favourable rates. As at March 31, 2022, approximately 75.7% of Killam's apartment mortgages were CMHC-insured (71.3% of total mortgages, as MHC and commercial mortgages are not eligible for CMHC insurance) (December 31, 2021 - 75.0% and 70.5%). The weighted average interest rate on the CMHC-insured mortgages was 2.55% as at March 31, 2022 (December 31, 2021 - 2.54%).

The following tables present the NOI for properties that are available to Killam to refinance at debt maturity in the remainder of 2022 and 2023:

Remaining 2022 Debt Maturities	**Number of Properties**	**Estimated NOI**	**Principal Balance (at maturity)**
Apartments with debt maturing	14	$11,201	$103,416
MHCs and commercial with debt maturing	9	3,153	22,316
	23	**$14,354**	**$125,732**

2023 Debt Maturities	**Number of Properties**	**Estimated NOI**	**Principal Balance (at maturity)**
Apartments with debt maturing	36	$26,075	$239,349
MHCs and commercial with debt maturing	11	4,119	29,249
	47	**$30,194**	**$268,598**

Future Contractual Debt Obligations

As at March 31, 2022, the timing of Killam's future contractual debt obligations is as follows:

Twelve months ending March 31,	**Mortgage and Loans Payable**	**Construction Loans (1)**	**Credit Facilities**	**Total**
2023	$249,722	$91,348	$13,526	$354,596
2024	287,705	—	—	287,705
2025	385,248	—	—	385,248
2026	312,967	—	—	312,967
2027	224,870	—	—	224,870
Thereafter	493,651	—	—	493,651
	$1,954,163	**$91,348**	**$13,526**	**$2,059,037**

(1) Construction loans are demand loans that are expected to be replaced with permanent mortgage financing on development completion and lease-up.

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

Credit Facilities

Killam has access to two credit facilities with credit limits of $155.0 million ($175.0 million with the accordion feature) and $15.0 million (December 31, 2021 - $155.0 million and $15.0 million) that can be used for acquisition and general business purposes.

The $155.0 million facility bears interest at prime plus 55 bps on prime rate advances or 155 bps over bankers' acceptances ("BAs"). The facility includes a $30.0 million demand revolver and a $125.0 million committed revolver as well as an accordion option to increase the $155.0 million facility by an additional $20.0 million. The agreement includes certain covenants and undertakings with which Killam was in compliance as at March 31, 2022.

The $15.0 million demand facility bears interest at prime plus 125 bps on advances and 135 bps on issuance of letters of credit in addition to 50 bps per annum. The agreement includes certain covenants and undertakings with which Killam was in compliance as at March 31, 2022.

As at March 31, 2022	**Maximum Loan Amount [1]**	**Amount Drawn**	**Letters of Credit**	**Amount Available**
$155.0 million facility	$175,000	$10,000	$—	$165,000
$15.0 million facility	15,000	3,526	1,732	9,742
Total	**$190,000**	**$13,526**	**$1,732**	**$174,742**

As at December 31, 2021	**Maximum Loan Amount [1]**	**Amount Drawn**	**Letters of Credit**	**Amount Available**
$155.0 million facility	$175,000	$54,500	$—	$120,500
$15.0 million facility	15,000	7,230	1,745	6,025
Total	$190,000	$61,730	$1,745	$126,525

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

Construction Loans

As at March 31, 2022, Killam had access to five variable rate non-revolving demand construction loans, for the purpose of financing development projects, totalling $179.1 million. As at March 31, 2022, $91.3 million was drawn on the construction loans (December 31, 2021 - $77.6 million). Payments are made monthly on an interest-only basis. The weighted-average contractual interest rate on amounts outstanding is 2.03% (December 31, 2021 - 2.01%). Once construction is complete and rental targets achieved, the construction loans are expected be repaid in full and replaced with conventional mortgages.

Investment Properties

As at

	March 31, 2022	December 31, 2021	% Change
Investment properties	**$4,404,176**	$4,284,030	2.8%
Investment properties under construction (IPUC)	**171,297**	201,319	(14.9)%
Land for development	**55,119**	55,528	(0.7)%
	$4,630,592	$4,540,877	2.0%

Continuity of Investment Properties

As at

	March 31, 2022	December 31, 2021	% Change
Balance, beginning of period	**$4,284,030**	$3,570,198	20.0%
Acquisition of properties	**30,518**	393,028	(92.2)%
Transfer from IPUC	**52,289**	17,254	203.1%
Transfer from land for development	**1,394**	—	N/A
Capital expenditures and development costs [1]	**12,089**	76,940	(84.3)%
Fair value adjustment - Apartments	**21,544**	210,829	(89.8)%
Fair value adjustment - MHCs	**1,189**	12,844	(90.7)%
Fair value adjustment - Commercial	**1,123**	2,937	(61.8)%
Balance, end of period	**$4,404,176**	$4,284,030	2.8%

(1) Development costs are costs incurred related to development projects subsequent to when they were transferred from IPUC to investment properties.

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

Killam reviewed its valuation of investment properties in light of COVID-19 as at March 31, 2022, assessing the impact on cap-rates, rental rate growth and occupancy assumptions. It is not possible to forecast with certainty the duration and full scope of the economic impact of COVID-19 and other consequential changes on Killam's business and operations, both in the short term and in the long term. The increase in fair value gains on Killam's apartment portfolio recorded during the quarter is supported by cap-rate compression and robust NOI growth driven by strong apartment fundamentals.

The key valuation assumption in the determination of fair market value, using the direct capitalization method, is the cap-rate. A summary of the high, low and weighted average cap-rates used in the valuation models as at March 31, 2022 and 2021, and December 31, 2021, is as follows:

Capitalization Rates

	March 31, 2022			December 31, 2021			March 31, 2021		
	Low	**High**	**Effective Weighted Average**	Low	High	Effective Weighted Average	Low	High	Effective Weighted Average
Apartments	**3.00%**	**7.00%**	**4.41%**	3.00%	7.00%	4.41%	3.50%	8.00%	4.73%
MHCs	**5.00%**	**6.50%**	**5.59%**	5.00%	6.50%	5.59%	5.00%	6.50%	5.64%

Killam's weighted average cap-rate for its apartment and MHC portfolio as at March 31, 2022, was 4.41% and 5.59%, consistent with December 31, 2021.

2022 Acquisitions

Property	**Location**	**Acquisition Date**	**Ownership Interest**	**Property Type**	**Units**	**Purchase Price (1)**
1477 & 1479 Carlton Street	Halifax, NS	16-Feb-22	100%	Apartment	4	**$3,500**
510-516 Quiet Place	Waterloo, ON	7-Mar-22	100%	Apartment	24	**7,900**
150 Wissler Road (2)	Waterloo, ON	17-Mar-22	100%	Commercial/Development Land	—	**3,850**
Craigflower House	Victoria, BC	31-Mar-22	100%	Apartment	49	**14,000**
Total Acquisitions						**$29,250**

(1) Purchase price does not include transaction costs.

(2) Property has in-place income acquired for future development potential.

1477 & 1479 Carlton Street

On February 16, 2022, Killam completed the acquisition of a four-unit apartment property in Halifax, NS, for $3.5 million. This building is adjacent to other Killam properties on Spring Garden Road and complete the lot consolidation for the planned future development.

510-516 Quiet Place

On March 7, 2022, Killam completed the acquisition of a 24-unit apartment property in Waterloo, ON, for $7.9 million. The four, six-unit buildings are located on a 1.2-acre property which has future development potential, with zoning for approximately 300 units.

150 Wissler Road

On March 17, 2022, Killam completed the acquisition of a 5,000 square foot retail plaza containing 0.75 acre located adjacent to Northfield Gardens property in Waterloo, ON for $3.9 million. This property, combined with surplus land already owned, will provide an opportunity to build up to 150 residential units in the future.

Craigflower House

On March 31, 2022, Killam acquired a 49-unit apartment property in Esquimalt, BC, just outside Victoria, for $14.0 million.

Completed Developments

Latitude

Latitude, containing 208 units, broke ground during Q2-2019 and opened to tenants on January 1, 2022. The total expected final cost is $87.0 million ($43.5 million for Killam's 50% interest). Since initial acquisition of the land for development, Killam has recognized $8.9 million in fair value gains. Latitude reached substantial completion in March 2022, and is currently 61% leased.

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

Investment Properties Under Construction

As at

	March 31, 2022	December 31, 2021	% Change
Balance, beginning of period	**$201,319**	$128,100	57.2%
Fair value adjustment	**4,132**	11,097	(62.8)%
Capital expenditures	**20,548**	73,005	(71.9)%
Interest capitalized	**660**	2,239	(70.5)%
Transfer to investment properties	**(52,289)**	(17,254)	203.1%
Transfer to residential inventory	**(3,073)**	—	N/A
Transfer from land for development	—	4,132	(100.0)%
Balance, end of period	**$171,297**	$201,319	(14.9)%

Land for Development

As at

	March 31, 2022	December 31, 2021	% Change
Balance, beginning of period	**$55,528**	$43,620	27.3%
Capital expenditures	**771**	1,905	(59.5)%
Interest capitalized	**214**	820	(73.9)%
Acquisitions	—	13,315	(100.0)%
Transfer to apartments	**(1,394)**	—	N/A
Transfer to IPUC	—	(4,132)	(100.0)%
Balance, end of period	**$55,119**	$55,528	(0.7)%

Killam's development projects currently underway include the following four projects:

Property	Location	Ownership	Number of Units (1)	Project Budget (millions)	Start Date	Estimated Completion	Anticipated All-Cash Yield
The Kay	Mississauga, ON	100%	128	$57.0	2019	April 2022	4.50%–4.75%
Luma	Ottawa, ON	50%	84	$45.8	2019	Q2-2022	4.00%–4.25%
Governor	Halifax, NS	100%	12	$22.8	2021	Q3-2022	4.25%–4.75%
Civic 66	Kitchener, ON	100%	169	$69.7	2020	Q1-2023	4.75%–5.00%
Total (2)(3)			393	$195.3			

(1) Represents Killam's ownership interest in the number of units in the development.

(2) In addition, Killam has a 10% interest in the second phase (234 units) of the Nolan Hill development in Calgary, AB, which broke ground during the fourth quarter of 2021 and is expected to be completed in 2023. Killam has a $65.0 million commitment in place to purchase the remaining 90% interest of the second phase, following completion of construction and the achievement of certain conditions.

(3) In addition, Killam has a 50% interest in the construction of 18 townhouses for future sale on a portion of the Sherwood Crossing land in Charlottetown, which are expected to be completed in Q3-2022. The investment in townhouses was transferred from IPUC to residential inventory during the quarter.

The Kay

The Kay, containing 128 units, broke ground in Q3-2019 and opened to tenants at the beginning of April 2022. Final construction is ongoing, and substantial completion is expected in May. The total estimated cost is $57.0 million.

Luma

Luma, containing 168 units, broke ground in Q3-2019 and is expected to be completed in Q2-2022. Killam’s 50% interest in the cost to construct is $45.8 million.

Governor

The Governor, containing 12 luxury apartment units and 3,500 SF of ground floor commercial space, broke ground in early 2021. The building is located adjacent to Killam's 240-unit building, The Alexander, in Halifax, NS. The budget for the development is $22.8 million. Construction financing is in place, with the first draw expected in Q2-2022.

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

Civic 66

Civic 66, containing 169 apartment units and 3,000 SF of ground floor commercial space, broke ground in July 2020, and it is expected to be completed at the beginning of 2023. The budget for the development is $69.7 million. Construction financing was placed during Q2-2021, and all remaining development costs will be funded through this financing.

Future Development Pipeline

Killam has a development pipeline, with over half of the future projects located outside of Atlantic Canada. Killam targets yields of 4.0%–5.0% on developments, 50–150 bps higher than the expected market cap-rate on completion. Building out the approximate $1.7 billion pipeline at a 100 bps spread should create in excess of $420 million in net asset value (NAV) growth for unitholders. Below is a listing of land currently available for future development:

Property	Location	Killam's Interest	Development Potential (# of Units) (1)	Status	Estimated Year of Completion
Developments expected to start in 2022					
Westmount Place Phase 1	Waterloo, ON	100%	139	Final planning approval pending	2024
Eventide & Aurora	Halifax, NS	100%	120	Final planning approval pending	2024
Developments expected to start in 2023-2027					
Stratford Land	Charlottetown, PE	100%	100	In design	2025
Sherwood Crossing	Charlottetown, PE	100%	325	In design	2025
Medical Arts	Halifax, NS	100%	200	Concept design	2025
Westmount Place Phase 2	Waterloo, ON	100%	150	In design	2026
Hollis Street	Halifax, NS	100%	100	Concept design	2026
Northfield Gardens Expansion	Waterloo, ON	100%	150	Concept design	2026
Gloucester City Centre Phase 3	Ottawa, ON	50%	200	Concept design	2026
Nolan Hill Phase 3 (2)	Calgary, AB	10%	200	In design	2026
Additional future development projects					
Nolan Hill Phase 4 (2)	Calgary, AB	10%	200	Future development	TBD
Christie Point	Victoria, BC	100%	312	Development agreement in place	TBD
Quiet Place	Waterloo, ON	100%	300	Future development	TBD
Gloucester City Centre (Phase 4-5)	Ottawa, ON	50%	400	Future development	TBD
Westmount Place (Phase 3-5)	Waterloo, ON	100%	800	Future development	TBD
Kanata Lakes	Ottawa, ON	50%	80	Future development	TBD
St. George Street	Moncton, NB	100%	60	Future development	TBD
15 Haviland	Charlottetown, PE	100%	60-90	Future development	TBD
Topsail Road	St. John's, NL	100%	225	Future development	TBD
Block 4	St. John's, NL	100%	80	Future development	TBD
Total Development Opportunities			**4,216**		

(1) Represents total number of units in the potential development.
(2) Killam has a 10% interest in the remaining two phases of the Nolan Hill development in Calgary, AB, with the potential to purchase the remaining 90% interest upon completion of each phase.

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

Capital Improvements

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

During the three months ended March 31, 2022, Killam invested $12.1 million, an increase of 9.5% compared to the same period of 2021. The increase relates to Killam's growing asset base, as well as the timing of larger multi-phase capital projects, increased investment in energy initiatives and Killam's repositioning program. Killam expects to invest in the range of $80–$100 million during the year.

	Three months ended March 31,		
	2022	2021	% Change
Apartments	**$10,942**	$10,518	4.0%
MHCs	**711**	461	54.2%
Commercial	**436**	57	664.9%
	$12,089	$11,036	9.5%

Apartments - Capital Investment

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

	Three months ended March 31,		
	2022	2021	% Change
Suite renovations and repositionings	**$5,973**	$4,496	32.9%
Building improvements	**2,204**	4,598	(52.1)%
Appliances	**1,020**	891	14.5%
Energy	**1,064**	380	180.0%
Common area	**681**	153	345.1%
Total capital invested	**$10,942**	$10,518	4.0%
Average number of units outstanding (1)	**18,324**	16,757	9.4%
Capital invested - $ per unit	**$597**	$628	(4.9)%

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

Killam invested $597 per unit for the three months ended March 31, 2022, compared to $628 per unit for the same period of 2021. Killam's focus on development and acquisition of newer properties translates into a lower capital investment per unit than many other apartment owners in Canada. Thirty-seven percent of Killam's apartments, as a percentage of 2022 forecasted NOI, were built in the past 10 years, and the average age of Killam's portfolio is 29 years. This portfolio of newer assets allows Killam to focus on value-enhancing opportunities, as the maintenance capital requirements are lower.

Suite Renovations and Repositionings

Killam invested $6.0 million in suite renovations during the three months ended March 31, 2022, a 32.9% increase over the total investment of $4.5 million for the three months ended March 31, 2021. This increase reflects Killam's continued focus on renovations in order to maximize occupancy and rental growth. Killam targets a minimum ROI of 10% for its unit renovations, earning rental growth of 10%–30%. The timing of unit renovation investment is influenced by tenant turnover, market conditions and individual property requirements. The length of time that Killam has owned a property and the age of the property also impact capital requirements. During the quarter, Killam has repositioned 150 units, with an average investment of approximately $28,650 per suite, generating an average ROI of 13.0%, compared to 149 units in the Q1-2021.

Killam is targeting a minimum of 600 repositionings in 2022. Killam estimates that the repositioning opportunity within its portfolio is approximately an additional 5,500 units, which should generate an estimated $20.0 million in additional annualized revenue, representing an approximate $325.0 million increase in NAV.

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

Building Improvements
These investments include larger building improvement projects, such as exterior cladding and brick work, balcony refurbishments, and roof upgrades, as well as projects such as plumbing improvements, fire safety, security systems and window upgrades. The decrease in building investments for the three months ended March 31, 2022, relates primarily to the timing of multi-phase building envelope projects.

Energy
Killam continues to invest in energy-efficiency initiatives, augmenting its sustainability programs and reducing operating expenses. Killam is committed to continuously lowering and reporting on its greenhouse gas emissions and also completing benchmarking using third-party validation. Energy-related projects planned for 2022 include the installation of photovoltaic solar panels at select properties, installation of electric vehicle chargers, boiler, heat pump and window replacements, insulation upgrades, as well as electricity and water conservation projects. Specifically, during Q1-22, Killam invested an additional $0.4 million in solar panels, $0.3 million in electric vehicle chargers, as well as invested in new boilers at various buildings across the portfolio.

MHCs - Capital Investment
A summary of the capital investment for the MHC segment is included below:

	Three months ended March 31,		
	2022	2021	% Change
Water and sewer upgrades	**$226**	$210	7.6%
Site expansion and land improvements	—	49	N/A
Other	**172**	145	18.6%
Roads and paving	**288**	29	893.1%
Equipment	**25**	28	(10.7)%
Total capital invested - MHCs	**$711**	$461	54.2%
Average number of sites	**5,875**	5,786	1.5%
Capital invested - $ per site	**$121**	$80	51.3%

Management expects to invest between $700 and $950 per MHC site annually. Consistent with the apartment portfolio, a portion of the MHC capital is considered maintenance capital and a portion is considered value enhancing. Maintenance capital includes costs to support the existing infrastructure, and value-enhancing capital includes improvements to roadways, work to accommodate future expansion, and community enhancements. A portion of MHC capital may be recovered through above guideline increases in provinces with rent control, leading to increased NOI from the investments.

Total capital invested during the three months ended March 31, 2022, was $0.7 million. The increase in capital spend relates to various community enhancements, paving and land improvements. As with the apartment portfolio, the timing of MHC capital investment changes based on requirements at each community.

Commercial — Capital Investment
During the three months ended March 31, 2022, Killam invested $0.4 million in its commercial portfolio, compared to $0.1 million for the three months ended March 31, 2021. These investments relate primarily to property upgrades and tenant improvements for new leasing opportunities at Killam's three standalone commercial properties, The Brewery, Westmount Place and Royalty Crossing. The timing of capital investment will vary based on tenant turnover.

Unitholders' Equity

As Killam is an open-ended mutual fund trust, unitholders of trust units are entitled to redeem their trust units at any time at prices determined and payable in accordance with the conditions specified in Killam's DOT. Consequently, under IFRS, trust units are defined as financial liabilities; however, for purposes of financial statement classification and presentation, 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 debt holders.

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, 2022, no unitholders redeemed units.

Killam's Distribution Reinvestment Plan (DRIP) allows unitholders to elect to have all cash distributions from the Trust reinvested in additional units. Unitholders who participate in the DRIP receive an additional distribution of units equal to 3% of each cash distribution reinvested. The price per unit is calculated by reference to the 10-day volume weighted average price of Killam's units on the Toronto Stock Exchange preceding the relevant distribution date, which typically is on or about the 15th day of the month following the distribution declaration.

The following chart highlights Killam's distributions paid and trust units reinvested.

Distribution Reinvestment Plan and Net Distributions Paid

	Three months ended March 31,		
	2022	2021	% Change
Distributions declared on trust units	**$20,121**	$17,766	13.3%
Distributions declared on exchangeable units	**701**	697	0.6%
Distributions declared on awards outstanding under RTU plan	**69**	68	1.5%
Total distributions declared	**$20,891**	$18,531	12.7%
Less:			
Distributions on trust units reinvested	**(6,413)**	(5,982)	7.2%
Distributions on RTUs reinvested	**(69)**	(68)	1.5%
Net distributions paid	**$14,409**	$12,481	15.4%
Percentage of distributions reinvested	**31.0%**	32.6%	

PART VIII

Summary of Selected Consolidated Quarterly Results

	Q1-2022	**Q4-2021**	**Q3-2021**	**Q2-2021**	**Q1-2021**	**Q4-2020**	**Q3-2020**	**Q2-2020**
Property revenue	**$77,464**	$76,998	$76,244	$70,300	$67,374	$66,845	$66,653	$64,899
NOI	**$45,263**	$47,921	$50,455	$44,596	$40,263	$41,702	$43,198	$41,516
Net income	**$60,027**	$74,801	$46,634	$136,672	$27,422	$48,563	$37,465	$21,509
FFO	**$28,665**	$30,514	$34,246	$29,369	$25,107	$26,537	$28,512	$26,617
FFO per unit - diluted	**$0.24**	$0.27	$0.30	$0.27	$0.23	$0.25	$0.27	$0.26
AFFO	**$23,739**	$25,669	$29,510	$24,774	$20,486	$22,012	$24,099	$22,136
AFFO per unit - diluted	**$0.20**	$0.22	$0.26	$0.23	$0.19	$0.21	$0.23	$0.22
Weighted average units - diluted (000s)	**117,765**	114,571	114,250	109,929	107,669	107,300	105,691	102,620

Risks and Uncertainties

Killam faces a variety of risks, the majority of which are common to real estate entities. These are described in detail in the MD&A of Killam's 2021 Annual Report and in Killam's AIF, both filed on SEDAR. These factors continue to exist 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 Killam's most recently issued Annual Report, 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, 2021, 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, 2022.

The preparation of financial statements in conformity with IFRS requires Management to make estimates and assumptions. Significant areas of judgment, estimates and assumptions are set out in note 3 to the audited consolidated financial statements found in Killam's 2021 Annual Report. The most significant estimates relate to the fair value of investment properties and deferred income taxes.

The condensed consolidated interim financial statements dated March 31, 2022, have been prepared considering the impact that the spread of COVID-19 has and continues to have on local, national and worldwide economies. Measures taken to contain the spread of the virus have triggered significant disruptions to businesses worldwide. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. Killam has considered the economic outlook that may be experienced as a result of this virus on its tenants, suppliers and lenders. Killam has also considered the current inflationary economic environment, impact of rising interest rates and potential for government intervention and how increased uncertainty could impact the valuation of investment properties. Killam has used the best information available as at March 31, 2022, in determining its estimates and the assumptions that affect the carrying amounts of assets and liabilities, and earnings for the period. Actual results could differ from those estimates. Killam considers the estimates that could be most significantly impacted by COVID-19 to include those underlying the valuation of investment properties and the estimated credit losses on accounts receivable.

Disclosure Controls, Procedures and Internal Controls

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

Related Party Transactions

Killam owns a 50% interest in two commercial properties located at 3700 & 3770 Kempt Road in Halifax, NS; the remaining 50% interest in these properties is owned by an executive and Trustee of Killam. These properties are managed by a third party. Killam's head office occupies approximately 23,000 SF of one of the buildings with base rent of approximately $14.00 per square foot, of which 50% is paid to the related party based on the ownership interest.

Subsequent Events

On April 6, 2022, Killam acquired a 27-unit apartment building in Halifax, NS, for $6.2 million.

On April 15, 2022, Killam announced a distribution of $0.05833 per unit, payable on May 16, 2022, to unitholders of record on April 30, 2022.

On April 22, 2022, Killam waived conditions and committed to acquire two apartment properties, containing 94 units and 56 units in Courtenay, BC, for $55.6 million, which is expected to close in late May.

On April 29, 2022, Killam acquired an 84-unit apartment building and an adjacent parcel of land for future development in Guelph, ON, for $25.0 million.