

Q2-2022 Management's Discussion and Analysis

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

TABLE OF CONTENTS

PART I

| | |
|---------------------------------------|---|
| Business Overview and Strategy | 2 |
| Declaration of Trust | 2 |
| Basis of Presentation | 2 |
| Forward-looking Statements Disclaimer | 3 |
| Non-IFRS Financial Measures | 3 |

PART II

| | |
|---|---|
| Key Performance Indicators | 5 |
| Financial and Operational Highlights | 6 |
| Summary of Q2-2022 Results and Operations | 7 |
| Strategic Targets | 8 |
| Outlook | 9 |

PART III

| | |
|-------------------|----|
| Portfolio Summary | 10 |
|-------------------|----|

PART IV

| | |
|---|----|
| Q2-2022 Operational and Financial Results | 13 |
| -Consolidated Results | 13 |
| -Apartment Results | 14 |
| -MHC Results | 21 |
| -Commercial Results | 22 |

PART V

| | |
|--|----|
| Other Income and Expenses and Net Income | 23 |
| -Net Income and Other Comprehensive Income | 23 |
| -Financing Costs | 23 |
| -Administration Expenses | 24 |
| -Fair Value Adjustments | 24 |
| -Deferred Tax Expense | 25 |

PART VI

| | |
|------------------------------------|----|
| Per Unit Calculations | 25 |
| Funds from Operations | 26 |
| Adjusted Funds from Operations | 27 |
| Adjusted Cash Flow from Operations | 28 |

PART VII

| | |
|--|----|
| Liquidity and Capital Resources | 29 |
| Mortgages and Other Loans | 31 |
| Investment Properties | 33 |
| Investment Properties Under Construction | 36 |
| Land for Development | 36 |
| Capital Improvements | 38 |
| Unitholders' Equity | 40 |

PART VIII

| | |
|--|----|
| Summary of Selected Consolidated Quarterly Results | 41 |
| Risks and Uncertainties | 41 |
| Critical Accounting Policies and Significant Accounting Judgments, Estimates and Assumptions | 41 |
| Disclosure Controls, Procedures and Internal Controls | 41 |
| Related Party Transactions | 42 |
| Subsequent Events | 42 |

Q2-2022 Management's Discussion and Analysis

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

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 \$4.8 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 15 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 89.0% of Killam's net operating income (NOI) for the six months ended June 30, 2022. As at June 30, 2022, Killam's apartment portfolio consisted of 19,359 units, including 1,176 units jointly owned with institutional partners. Killam's 230 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 5.6% of Killam's NOI for the six months ended June 30, 2022. Killam also owns 946,372 square feet (SF) of stand-alone commercial space that accounted for 5.4% of Killam's NOI for the six months ended June 30, 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 June 30, 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, and in conjunction with the Trust's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2022, and 2021, 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 August 10, 2022. This MD&A has been reviewed and approved by Management and the REIT's Board of Trustees.

Q2-2022 Management's Discussion and Analysis

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

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 global real estate sustainability benchmark (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 financial 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 26.

Q2-2022 Management's Discussion and Analysis

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

- 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 27.
- 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 28. 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 30.
- 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 30.
- Net debt is a non-IFRS financial 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 30.
- 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 30.
- 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 30.

Supplementary Financial Measures

- 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 89.0% of the fair value of Killam's investment property portfolio as at June 30, 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.

Q2-2022 Management's Discussion and Analysis

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

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. Total debt as a percentage of total assets is calculated by dividing total interest-bearing debt by total assets, excluding right-of-use assets. Killam's DOT operating policies stipulate that overall indebtedness is not to exceed 70% of Gross Book Value.
- 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.

Q2-2022 Management's Discussion and Analysis

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

Financial and Operational Highlights

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

| Operating Performance | Three months ended June 30, | | | Six months ended June 30, | | |
|---|-----------------------------|-----------|-----------------------|---------------------------|-----------|-----------------------|
| | 2022 | 2021 | Change ⁽¹⁾ | 2022 | 2021 | Change ⁽²⁾ |
| Property revenue | \$81,548 | \$70,300 | 16.0% | \$159,012 | \$137,674 | 15.5% |
| Net operating income | \$51,685 | \$44,596 | 15.9% | \$96,948 | \$84,859 | 14.2% |
| Net income | \$68,716 | \$136,672 | (49.7)% | \$128,743 | \$164,094 | (21.5)% |
| FFO ⁽²⁾ | \$34,078 | \$29,369 | 16.0% | \$62,741 | \$54,475 | 15.2% |
| FFO per unit – diluted ⁽²⁾ | \$0.28 | \$0.27 | 3.7% | \$0.53 | \$0.50 | 6.0% |
| AFFO ⁽¹⁾ | \$29,002 | \$24,774 | 17.1% | \$52,740 | \$45,260 | 16.5% |
| AFFO per unit – diluted ⁽²⁾ | \$0.24 | \$0.23 | 4.3% | \$0.44 | \$0.42 | 4.8% |
| Weighted average number of units outstanding – diluted (000s) | 119,938 | 109,929 | 9.1% | 118,858 | 108,794 | 9.3% |
| Distributions paid per unit ⁽³⁾ | \$0.18 | \$0.17 | 5.9% | \$0.70 | \$0.68 | 2.9% |
| AFFO payout ratio – diluted ⁽²⁾ | 72% | 75% | (300) bps | 79% | 82% | (300) bps |
| AFFO payout ratio – rolling 12 months ⁽²⁾ | 75% | 80% | (500) bps | | | |
| Portfolio Performance | | | | | | |
| Same property NOI ⁽²⁾ | \$45,989 | \$43,156 | 6.6% | \$87,081 | \$83,099 | 4.8% |
| Same property NOI margin | 64.2% | 63.3% | 90 bps | 61.7% | 61.9% | (20) bps |
| Same property apartment occupancy | 98.0% | 96.6% | 140 bps | | | |
| Same property apartment weighted average rental increase ⁽⁴⁾ | 3.3% | 3.1% | 20 bps | | | |

| As at | June 30, 2022 | December 31, 2021 | Change ⁽²⁾ |
|--|---------------|-------------------|-----------------------|
| Leverage Ratios and Metrics | | | |
| Debt to total assets | 44.3% | 45.0% | (70) bps |
| Weighted average mortgage interest rate | 2.63% | 2.58% | 5 bps |
| Weighted average years to debt maturity | 4.2 | 4.0 | 0.2 years |
| Debt to normalized EBITDA ⁽²⁾ | 11.19x | 11.33x | (1.2)% |
| Debt service coverage ⁽²⁾ | 1.52x | 1.53x | (0.7)% |
| Interest coverage ⁽²⁾ | 3.51x | 3.53x | (0.6)% |

(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 June 30.

Q2-2022 Management's Discussion and Analysis

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

Summary of Q2-2022 Results and Operations

Earned Net Income of \$68.7 Million

Killam earned net income of \$68.7 million in Q2-2022, compared to \$136.7 million in Q2-2021. The decrease in net income is due to fair value gains on investment properties earned in Q2-2021 of \$134.1 million, compared to \$27.6 million in the current period, a difference of \$106.5 million. This is offset by revenue growth of \$11.2 million in the quarter, compared to the same period in 2021, which is attributable to acquisitions, completed developments, and increased earnings from the existing portfolio.

Delivered 3.7% FFO per Unit Growth and 4.3% AFFO per Unit Growth

Killam generated FFO per unit of \$0.28 in Q2-2022, a 3.7% increase from \$0.27 per unit in Q2-2021. AFFO per unit increased 4.3% to \$0.24, compared to \$0.23 in Q2-2021. The growth in FFO and AFFO was attributable to increased NOI from Killam's same property portfolio and incremental contributions from acquisitions totalling over \$400 million in since April 1, 2021. This growth was partially offset by a 9.1% increase in the weighted average number of trust units outstanding.

Revenue Growth Supports Same Property NOI Growth of 6.6%

Killam achieved 6.6% growth in same property NOI during the quarter. This improvement was driven by 5.2% growth in revenue, partially offset by a 2.8% increase in operating expenses. A 3.3% increase in apartment rents coupled with a 140 bps increase in same property apartment occupancy drove overall revenue growth. Operating expenses increased due to higher natural gas pricing across Killam's core markets and general operating expenses increased by 2.1%. The increase in expenses was offset by a 0.8% decrease in property taxes during the quarter. This decline was primarily attributable to a 10% cap on property assessments in New Brunswick in 2022 and a reduction in regional mill rates.

Completed Acquisitions and Continued Advancement of Development Pipeline

The Kay, a 128-unit development located in Mississauga, ON, opened to tenants on April 1, 2022 and is currently fully leased. Overall, this asset generated \$12.5 million in fair value gains since the project began in 2019 and is expected to contribute \$2.6 million in NOI annually. Killam continues to advance its development pipeline, and had four developments underway totalling 488 units as at June 30, 2022. Killam's ownership interest represents 404 units for an expected total development cost of \$225.5 million. During the second quarter, Killam invested \$43.4 million in its active development projects, the majority of which was funded through construction financing.

Stable Property Values as Rent Growth Offsets Higher Expenses

Killam recorded \$27.6 million in fair value gains related to its investment properties in Q2-2022. The gains were supported by NOI growth driven by strong apartment fundamentals as well as a reduction in the property tax mill rates in New Brunswick. Killam's weighted average cap-rate for its apartment portfolio as at June 30, 2022, was 4.38%, a 3 bps decrease from the weighted average cap-rate at March 31, 2022.

Rising Interest Rates

Killam's maturity dates on mortgages are staggered to manage interest rate risk. During Q2-2022, Killam refinanced \$68.8 million of maturing mortgages with \$91.1 million of new debt, the majority of which were for 10-year terms at a weighted average interest rate of 3.48%, 89 bps higher than the maturing debt (average interest rate of 2.59%).

ESG Update

During Q2-2022, Killam completed its 2021 GRESB submission. Killam achieved a 5.6% reduction in like-for-like energy consumption and an 8.6% reduction in GHG intensity (tCO₂e per square foot) in 2021, compared to 2020. As of June 30, 2022, Killam had 12 photovoltaic (PV) solar arrays producing power, with an expected 1,288 MWh of annual energy production. PV solar arrays, along with geothermal heating and cooling systems at Killam's new developments, illustrate Killam's ongoing commitment to lower its carbon footprint. Killam's 2021 ESG report can be accessed on its website at <https://killamreit.com/esg> and summarizes Killam's commitment to creating and maintaining sustainable communities, and details its progress and future plans to achieve its long-term targets.

Q2-2022 Management's Discussion and Analysis

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 4.8% for the six months ended June 30, 2022. Growth is attributable to increased rental rates and occupancy, offset by expense growth. Killam expects to exceed its target and achieve above 3.0% same property NOI growth in 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 \$118.6 million, with acquisitions in Halifax, Waterloo, Guelph, Victoria, Courtenay and a MHC in Nova Scotia. Killam expects acquisition activity to slow down in the second half of 2022. |

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 35% of NOI generated outside Atlantic Canada year-to-date as of June 30, 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 | Year-to-date Killam has completed two developments. Latitude opened in Q1-2022, and The Kay opened in April 2022. Luma opened select floors to tenants in June and is expected to be substantially completed in Q3 and the Governor is expected to be completed in Q4. During Q2-2022, Killam also broke ground on The Carrick, a 139-unit building in Waterloo, ON. Killam expects to break ground on its Eventide and Aurora development in Halifax in 2023, following permit approvals. |

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 44.3% as at June 30, 2022. |

Sustainability

| | |
|--------------------------|--|
| 2022 Target | Invest a minimum of \$8.0 million in energy initiatives in 2022. |
| 2022 Performance to Date | Killam invested \$2.9 million in energy initiatives year-to-date, including \$0.7 million in new boilers, \$0.5 million in solar panel investments and \$0.4 million in electronic vehicle chargers, and has over 70% of its 2022 energy projects committed. |

Q2-2022 Management's Discussion and Analysis

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

Outlook

Strong Demand for Apartments Expected to Drive Market Rents Higher

Killam expects robust demand for apartments to continue through the second half of 2022 and into 2023, driving increasing market rents and high occupancy across the portfolio. Management expects to increase rents to market rates as units turn and are released, which is expected to lead to continued top-line growth. For renewals, rent growth is likely to be tempered by government-imposed rental rate restrictions in five of Killam's core markets, namely Ontario (capped at 1.2% in 2022 and 2.5% in 2023), 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 and continued expansion of mark-to-market opportunities.

Developments to Contribute to Earnings Growth

Development remains an important component of Killam's growth strategy, and Killam expects to complete \$169.0 million in development projects in 2022. The completion and stabilization of the developments underway is expected to contribute positively to Killam's future FFO per unit growth. Killam broke ground on The Carrick in the second quarter and expects it will take 32 months to complete. Killam has land for over 4,200 units in its development pipeline.

Rising Interest Expense

Killam has \$49.4 million of mortgages maturing in the remainder of 2022, having an average interest rate of 2.88%, and \$280.5 million maturing in 2023 with an average interest rate of 3.06%. With current borrowing costs above these levels, management anticipates higher interest expense on refinancings. 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 31.

Capitalization Rates

Killam's weighted average cap-rate for its apartment portfolio as at June 30, 2022, was 4.38%. Management expects to revisit cap-rates in the next quarter when there is more recent market transactions and data available. Given current market conditions and interest rate trends, Killam expects cap-rates may increase in the second half of 2022.

Inflation and Higher Operating Expenses

Killam monitors inflation given the risk of increasing operating and capital costs. Approximately 58% of Killam's units are heated with natural gas, and fluctuations in natural gas pricing has impacted Killam's operating costs. Domestic and international natural gas markets continue to experience cost pressures in 2022. Investments in energy and water-saving initiatives, as well as operational efficiencies, are expected to help offset rising operating costs, and reduce Killam's energy consumption. 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 improve Killam's sustainability metrics.

Investing in Our Properties

Killam is improving repositioning efficiencies and targeting improved performance metrics, including the percentage of repositionings completed in 28 days and is targeting 600 repositions in 2022. 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.

Positive Same Property NOI Expected

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

Q2-2022 Management's Discussion and Analysis

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 June 30, 2022:

| Apartment Portfolio | | | | |
|---------------------------------------|----------------------|----------------------|-------------------------|---------------------------------|
| | Units ⁽¹⁾ | Number of Properties | NOI (\$) ⁽²⁾ | NOI ⁽²⁾ (% of Total) |
| Nova Scotia | | | | |
| Halifax | 5,847 | 67 | \$28,634 | 29.5% |
| Sydney | 139 | 2 | \$703 | 0.7% |
| | 5,986 | 69 | \$29,337 | 30.2% |
| New Brunswick | | | | |
| Moncton | 2,246 | 39 | \$8,680 | 9.0% |
| Fredericton | 1,529 | 23 | \$6,518 | 6.7% |
| Saint John | 1,202 | 14 | \$3,606 | 3.7% |
| Miramichi | 96 | 1 | \$350 | 0.4% |
| | 5,073 | 77 | \$19,154 | 19.8% |
| Ontario | | | | |
| Ottawa | 1,424 | 10 | \$5,258 | 5.4% |
| London | 523 | 5 | \$2,795 | 2.9% |
| Kitchener-Waterloo-Cambridge-GTA | 1,839 | 13 | \$9,700 | 10.0% |
| | 3,786 | 28 | \$17,753 | 18.3% |
| Newfoundland and Labrador | | | | |
| St. John's | 955 | 13 | \$3,857 | 4.0% |
| Grand Falls | 148 | 2 | \$356 | 0.4% |
| | 1,103 | 15 | \$4,213 | 4.4% |
| Prince Edward Island | | | | |
| Charlottetown | 1,163 | 24 | \$4,525 | 4.7% |
| Summerside | 86 | 2 | \$280 | 0.3% |
| | 1,249 | 26 | \$4,805 | 5.0% |
| Alberta | | | | |
| Calgary | 764 | 4 | \$3,569 | 3.7% |
| Edmonton | 882 | 6 | \$4,500 | 4.6% |
| | 1,646 | 10 | \$8,069 | 8.3% |
| British Columbia | | | | |
| Victoria | 516 | 5 | \$2,929 | 3.0% |
| Total Apartments | 19,359 | 230 | \$86,260 | 89.0% |
| Manufactured Home Community Portfolio | | | | |
| | Sites | Communities | NOI (\$) ⁽²⁾ | (% of Total) |
| Nova Scotia | 2,750 | 17 | \$2,540 | 2.6% |
| Ontario ⁽³⁾ | 2,284 | 17 | \$2,506 | 2.6% |
| New Brunswick ⁽³⁾ | 671 | 3 | \$161 | 0.2% |
| Newfoundland and Labrador | 170 | 2 | \$199 | 0.2% |
| Total MHCs | 5,875 | 39 | \$5,406 | 5.6% |
| Commercial Portfolio ⁽⁴⁾ | | | | |
| | SF ⁽⁵⁾ | Properties | NOI (\$) ⁽²⁾ | (% of Total) |
| Prince Edward Island ⁽⁵⁾ | 383,222 | 1 | \$1,170 | 1.2% |
| Ontario | 311,106 | 2 | \$2,510 | 2.6% |
| Nova Scotia ⁽⁶⁾ | 218,829 | 5 | \$1,389 | 1.4% |
| New Brunswick | 33,215 | 1 | \$213 | 0.2% |
| Total Commercial | 946,372 | 9 | \$5,282 | 5.4% |
| Total Portfolio | | 278 | \$96,948 | 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 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 six months ended June 30, 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 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.

Q2-2022 Management's Discussion and Analysis

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

Core Market Update

Halifax

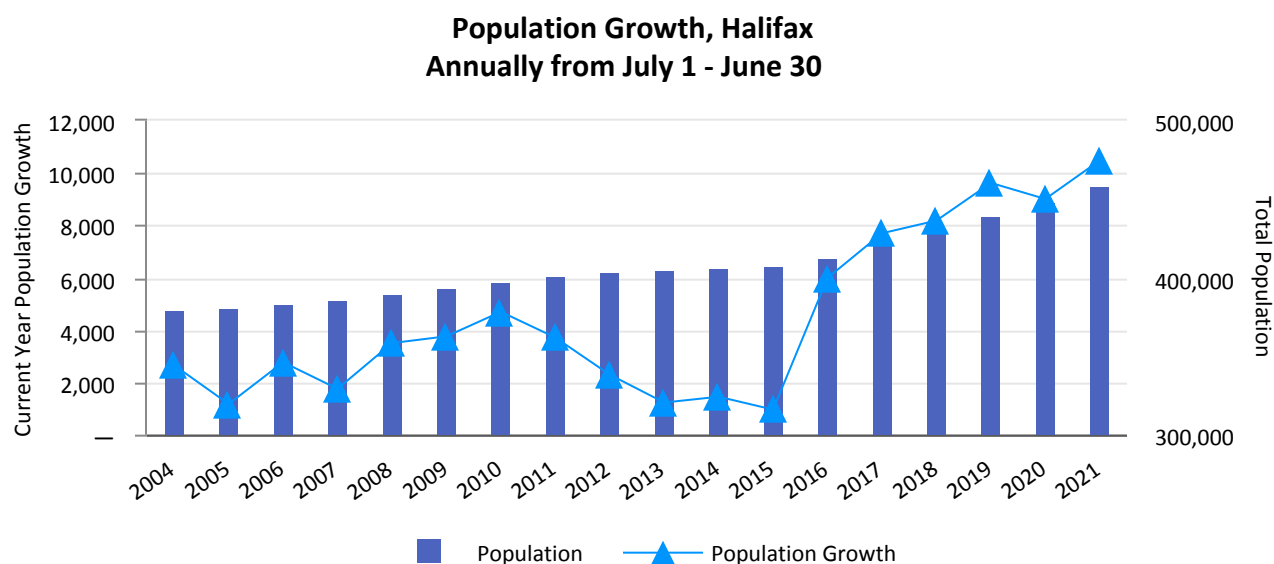
Thirty percent of Killam's NOI was generated by its Halifax apartment properties for the six months ended June 30, 2022. Halifax is the largest city in Atlantic Canada and is home to 18% of Atlantic Canadians. Halifax's diverse economy generates 56% of Nova Scotia's GDP and is home to 46% of the province's population. According to CMHC's Rental Market Report, the city's rental market totals 56,230 units, with an additional 7,730 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 attributed to the city's rising population and lack of housing availability, specifically in the city's downtown core. CMHC reported that the average monthly rent for two-bedroom apartments 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 35,560 full-time students, including 7,290 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 single largest employer.

Scotiabank's January 2022 provincial analysis report noted that Halifax remains Atlantic Canada's high wage services hub, with flexibility to work remotely, which is expected to contribute to further provincial migration. The economic outlook forecasts year-over-year growth in 2022 for Nova Scotia's GDP, 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

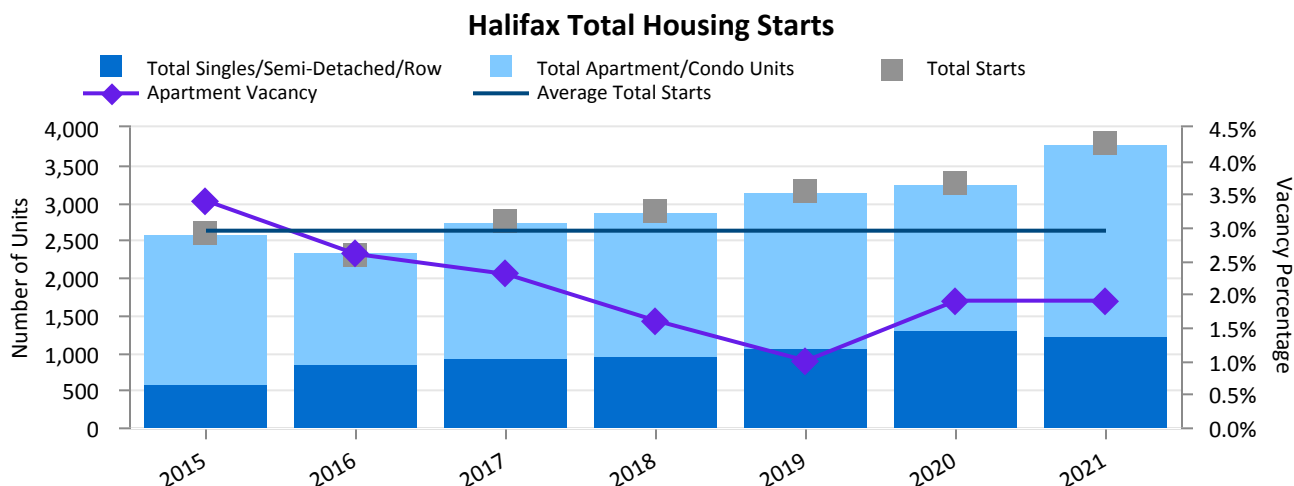
Halifax's population has been rising by approximately 2.0% per year since 2016 and has grown by an average of 2.2% per year between 2019 and 2021, driven by immigration and urbanization. Halifax is one of Canada's fastest-growing cities, showing the third-highest growth across all Canadian metropolitan areas between July 1, 2020 and June 30, 2021. Nova Scotia as a whole is benefiting from increased population growth. RBC's June 2022 Provincial Outlook expects momentum to slow slightly in 2022 and 2023, with forecasted GDP growth of 2.1% and 1.6%, compared to the achieved growth rate of 5.8% in 2021, as the economy hits capacity constraints. However, Atlantic Canada continues to benefit from surging interprovincial and international migration, providing growth opportunities for the provincial economy. RBC reports that the Maritime provinces are facing higher inflationary pressures compared to other provinces, caused by increased energy costs in the region.

In response to an increasing population, there has been an increase in housing starts over the last five years. Despite this supply increase, housing prices were up 15.8% in June 2022 compared to June 2021.

Q2-2022 Management's Discussion and Analysis

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

The following chart summarizes Halifax's housing start activity from 2015 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, 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 130 bps to 1.7% in 2021, compared to 3.0% in 2020.

According to RBC's June 2022 Provincial Outlook report, New Brunswick's outlook for 2022 is positive, with expected GDP growth of 2.0% in 2022 and 1.5% in 2023, which should more than reverse the 3.2% decline in 2020. RBC reports New Brunswick's economic growth is expected to remain strong with agriculture and construction, demand for housing, and tourism continuing to drive growth.

St. John's, Newfoundland

Four percent of Killam's NOI was generated by apartments in St. John's, Newfoundland for the six months ended June 30, 2022. RBC's June 2022 Provincial Outlook reported the projected GDP growth rate for Newfoundland is 1.2% in 2022 and 2.6% in 2023. Higher mineral production, retail sales growth and rebounding tourism are expected to drive economic growth in 2022, followed by significant renewed projects in offshore oil activity.

Prince Edward Island

Five percent of Killam's NOI was generated by apartments in Prince Edward Island. According to RBC's June 2022 Provincial Outlook report, PEI's economy appears to have fully recovered to pre-pandemic levels. Strong residential investment, further recovery in the manufacturing sector and consumer spending are expected to drive GDP growth at a rate of 2.3% 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 18.3% of its NOI for the six months ended June 30, 2022. RBC's June 2022 Provincial Outlook reported Ontario's projected GDP growth rate to be 4.1% in 2022 and 1.9% in 2023. RBC reports that growth in Ontario continues to be driven by advances in the healthcare industry, along with surging activity in real estate and professional services industries. Although residential activity has been soaring, RBC reports this is expected to slow and decline due to high inflation and rising interest rates, causing challenges for consumers and businesses. As a net energy consuming region, Central Canada would be impacted by potentially rising oil and gas prices.

Alberta

Eight percent of Killam's NOI was earned in Alberta for the six months ended June 30, 2022. According to RBC's June 2022 Provincial Outlook report, Alberta is expected to lead national growth in 2022, with its strongest expansion since 2011. The massive upswing in global energy markets is boding well for Alberta's economy, with energy exports up 50% due to higher prices compared to last year. The projected GDP growth rate is 5.7% in 2022 and 3.2% in 2023, which should enable the Alberta 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 3.0% of its NOI in the British Columbia market for the six months ended June 30, 2022. RBC's June 2022 Provincial Outlook reported British Columbia as having strong economic growth, projecting GDP growth rates of 4.2% in 2022 and 2.0% in 2023. RBC reports that capital investment in the natural resource sector will remain key to growth in the region. Net migration from other provinces reached a 25-year high during the pandemic, and RBC expects that 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.

Q2-2022 Management's Discussion and Analysis

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

PART IV

Q2-2022 Operational and Financial Results

Consolidated Results

For the three months ended June 30,

| | Total Portfolio | | | Same Property ⁽¹⁾ | | |
|-----------------------------|-----------------|----------|----------|------------------------------|----------|----------|
| | 2022 | 2021 | % Change | 2022 | 2021 | % Change |
| Property revenue | \$81,548 | \$70,300 | 16.0% | \$71,673 | \$68,133 | 5.2% |
| Property operating expenses | | | | | | |
| General operating expenses | 12,758 | 11,221 | 13.7% | 11,004 | 10,778 | 2.1% |
| Utility and fuel expenses | 7,540 | 5,964 | 26.4% | 6,552 | 6,006 | 9.1% |
| Property taxes | 9,565 | 8,519 | 12.3% | 8,128 | 8,193 | (0.8)% |
| Total operating expenses | \$29,863 | \$25,704 | 16.2% | \$25,684 | \$24,977 | 2.8% |
| NOI | \$51,685 | \$44,596 | 15.9% | \$45,989 | \$43,156 | 6.6% |
| Operating margin % | 63.4% | 63.4% | — bps | 64.2% | 63.3% | 90 bps |

For the six months ended June 30,

| | Total Portfolio | | | Same Property ⁽¹⁾ | | |
|-----------------------------|-----------------|-----------|----------|------------------------------|-----------|----------|
| | 2022 | 2021 | % Change | 2022 | 2021 | % Change |
| Property revenue | \$159,012 | \$137,674 | 15.5% | \$141,115 | \$134,184 | 5.2% |
| Property operating expenses | | | | | | |
| General operating expenses | 24,976 | 22,459 | 11.2% | 21,903 | 21,502 | 1.9% |
| Utility and fuel expenses | 17,233 | 13,223 | 30.3% | 15,111 | 13,035 | 15.9% |
| Property taxes | 19,855 | 17,133 | 15.9% | 17,020 | 16,548 | 2.9% |
| Total operating expenses | \$62,064 | \$52,815 | 17.5% | \$54,034 | \$51,085 | 5.8% |
| NOI | \$96,948 | \$84,859 | 14.2% | \$87,081 | \$83,099 | 4.8% |
| Operating margin % | 61.0% | 61.6% | (60) bps | 61.7% | 61.9% | (20) bps |

(1) Same property results exclude acquisitions and developments completed during the comparable 2022 and 2021 periods, which are classified as non-same property. For the three and six months ended June 30, 2022, NOI contributions from acquisitions and developments completed in 2021 and 2022 were \$6.4 million and \$11.0 million. For the three and six months ended June 30, 2021, the NOI contributions from acquisitions and developments completed in 2021 were \$1.7 million and \$7.2 million.

For the three and six months ended June 30, 2022, Killam achieved strong overall portfolio performance. Revenues grew 16.0% and 15.5%, offset by increases in total operating expenses of 16.2% and 17.5%, due to the increased size of Killam's portfolio as well as significant increases seen in utility and fuel expenses year-over-year. In aggregate, NOI increased by 15.9% and 14.2% for the three and six months ended June 30, 2022.

Same property results include properties owned during comparable 2022 and 2021 periods. Same property results represent 89% of the fair value of Killam's investment property portfolio as at June 30, 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 5.2% for both the three and six months ended June 30, 2022, compared to the same periods in 2021. This growth was driven by a 140 bps increase in apartment occupancy due to strong market conditions, rental rate growth and growth in both seasonal and commercial revenues.

Total same property operating expenses increased by 2.8% for the three months ended June 30, 2022. The increase for the quarter was driven by a 9.1% increase in utility and fuel expenses due to increases in natural gas pricing across Killam's portfolio, coupled with an increase in general operating expenses of 2.1%. These increases were partially offset by a 0.8% decrease in property taxes, driven by lower mill rates in New Brunswick, coupled with a change announced in the province to cap property tax assessment increases at 10% in 2022.

Total same property operating expenses increased by 5.8% for the six months ended June 30, 2022. The increase was driven by higher natural gas pricing across Killam's portfolio, which contributed to a 15.9% increase in utility and fuel expenses in the first half of the year. In addition, general operating expenses and property taxes increased by 1.9% and 2.9%.

Overall, same property NOI grew by 6.6% and 4.8% for the three and six months ended June 30, 2022.

Q2-2022 Management's Discussion and Analysis

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

Apartment Results

For the three months ended June 30,

| | Total | | | Same Property | | |
|-----------------------------|----------|----------|----------|---------------|----------|----------|
| | 2022 | 2021 | % Change | 2022 | 2021 | % Change |
| Property revenue | \$71,435 | \$61,296 | 16.5% | \$63,155 | \$60,267 | 4.8% |
| Property operating expenses | | | | | | |
| General operating expenses | 10,789 | 9,395 | 14.8% | 9,329 | 9,161 | 1.8% |
| Utility and fuel expenses | 6,712 | 5,484 | 22.4% | 5,926 | 5,477 | 8.2% |
| Property taxes | 8,474 | 7,541 | 12.4% | 7,272 | 7,418 | (2.0)% |
| Total operating expenses | \$25,975 | \$22,420 | 15.9% | \$22,527 | \$22,056 | 2.1% |
| NOI | \$45,460 | \$38,876 | 16.9% | \$40,628 | \$38,211 | 6.3% |
| Operating margin % | 63.6% | 63.4% | 20 bps | 64.3% | 63.4% | 90 bps |

For the six months ended June 30,

| | Total | | | Same Property | | |
|-----------------------------|-----------|-----------|-----------|---------------|-----------|----------|
| | 2022 | 2021 | % Change | 2022 | 2021 | % Change |
| Property revenue | \$140,776 | \$121,228 | 16.1% | \$125,744 | \$119,795 | 5.0% |
| Property operating expenses | | | | | | |
| General operating expenses | 21,318 | 18,675 | 14.2% | 18,765 | 18,357 | 2.2% |
| Utility and fuel expenses | 15,515 | 12,003 | 29.3% | 13,848 | 11,956 | 15.8% |
| Property taxes | 17,683 | 15,083 | 17.2% | 15,307 | 14,870 | 2.9% |
| Total operating expenses | \$54,516 | \$45,761 | 19.1% | \$47,920 | \$45,183 | 6.1% |
| NOI | \$86,260 | \$75,467 | 14.3% | \$77,824 | \$74,612 | 4.3% |
| Operating margin % | 61.3% | 62.3% | (100) bps | 61.9% | 62.3% | (40) bps |

Apartment Revenue

Total apartment revenue for the three and six months ended June 30, 2022, were \$71.4 million and \$140.8 million, an increase of 16.5% and 16.1% over the same periods in 2021. Revenue growth was augmented by contributions from recently acquired and developed properties and higher rental rates.

Same property apartment revenue increased 4.8% and 5.0% for the three and six months ended June 30, 2022, driven by a 140 bps and 220 bps increase in occupancy during the periods, coupled with increased year-over-year average rent of 3.3% as at June 30, 2022. The operating margin on Killam's same property apartment portfolio for the three months ended June 30, 2022 was up 90 bps to 64.3%, due to same property operating expenses increasing by a modest 2.1%. However, the operating margin for the six months ended June 30, 2022 was down 40 bps to 61.9%, due to significant increases in utility and fuel expenses, most of which were realized in the first quarter.

Q2-2022 Management's Discussion and Analysis

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

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

| For the three months ended June 30, | # of Units | Total Occupancy | | | Same Property Occupancy | | |
|--|---------------|-----------------|--------------|--------------|-------------------------|--------------|--------------|
| | | 2022 | 2021 | Change (bps) | 2022 | 2021 | Change (bps) |
| Nova Scotia | | | | | | | |
| Halifax | 5,986 | 99.0% | 98.1% | 90 | 99.0% | 98.0% | 100 |
| Ontario | | | | | | | |
| Ottawa ⁽²⁾ | 1,424 | 84.0% | 93.8% | (980) | 94.5% | 93.8% | 70 |
| London | 523 | 97.8% | 96.0% | 180 | 97.8% | 96.0% | 180 |
| KWC-GTA ⁽³⁾ | 1,839 | 92.3% | 98.8% | (650) | 99.3% | 98.9% | 40 |
| New Brunswick | | | | | | | |
| Moncton | 2,342 | 98.7% | 96.9% | 180 | 99.1% | 96.8% | 230 |
| Fredericton | 1,529 | 97.5% | 98.2% | (70) | 97.5% | 98.2% | (70) |
| Saint John | 1,202 | 97.9% | 97.5% | 40 | 97.9% | 97.5% | 40 |
| Newfoundland and Labrador | | | | | | | |
| St. John's | 1,103 | 93.9% | 90.9% | 300 | 94.5% | 90.5% | 400 |
| Prince Edward Island | | | | | | | |
| Charlottetown | 1,249 | 99.3% | 93.9% | 540 | 99.4% | 96.2% | 320 |
| Alberta | | | | | | | |
| Calgary ⁽⁴⁾ | 764 | 95.5% | 83.1% | 1,240 | 94.7% | 91.3% | 340 |
| Edmonton | 882 | 96.0% | 92.8% | 320 | 96.4% | 92.8% | 360 |
| British Columbia | | | | | | | |
| Victoria | 516 | 98.5% | 96.4% | 210 | 98.2% | 96.4% | 180 |
| Total Apartments (weighted average) | 19,359 | 96.4% | 95.9% | 50 | 98.0% | 96.6% | 140 |

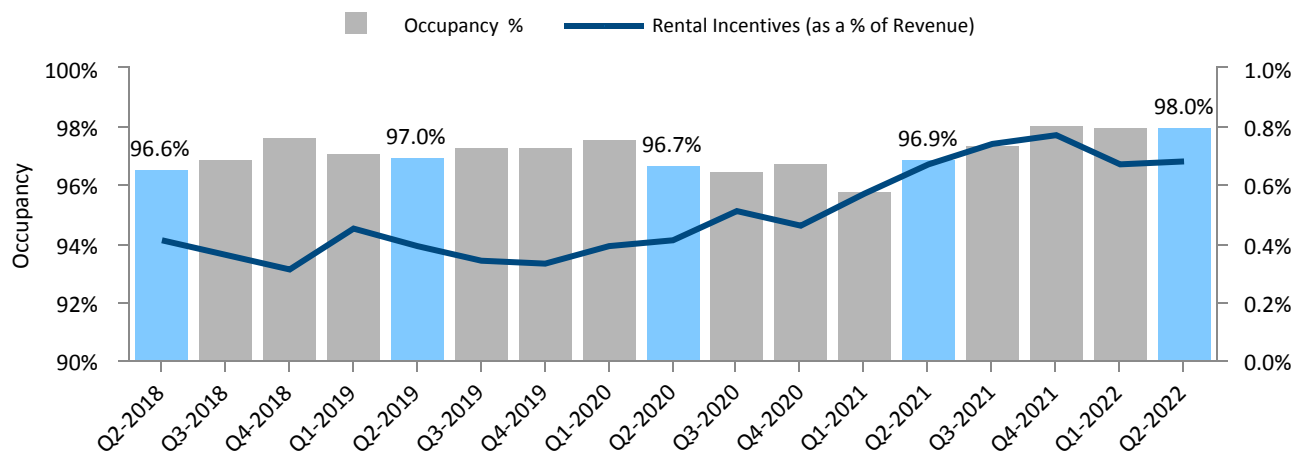
(1) Occupancy as a percentage of residential rent is calculated as vacancy (in dollars) divided by gross potential residential rent (in dollars) for the period.

(2) Total 2022 occupancy for Ottawa was impacted by Latitude and Luma, recently completed development projects undergoing initial lease-up.

(3) Total 2022 occupancy for KWC-GTA was impacted by The Kay, a recently completed 128-unit development property now fully leased.

(4) 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.

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



Rental incentives as a percentage of total revenue during Q2-2022, compared to Q2-2021 were relatively flat, however, Killam has seen a reduction in incentive offerings subsequent to the end of the second quarter.

Q2-2022 Management's Discussion and Analysis

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

Year-Over-Year Average Rent Analysis by Core Market

As at June 30,

| | # of Units | Average Rent | | | Same Property Average Rent | | |
|--|---------------|----------------|----------------|-------------|----------------------------|----------------|-------------|
| | | 2022 | 2021 | % Change | 2022 | 2021 | % Change |
| Nova Scotia | | | | | | | |
| Halifax | 5,986 | \$1,252 | \$1,203 | 4.1% | \$1,251 | \$1,204 | 3.9% |
| Ontario | | | | | | | |
| Ottawa | 1,424 | \$1,880 | \$1,808 | 4.0 % | \$1,843 | \$1,808 | 1.9% |
| London | 523 | \$1,422 | \$1,378 | 3.2% | \$1,422 | \$1,378 | 3.2% |
| KWC-GTA ⁽¹⁾ | 1,839 | \$1,495 | \$1,574 | (5.0)% | \$1,629 | \$1,574 | 3.5% |
| New Brunswick | | | | | | | |
| Moncton | 2,342 | \$1,092 | \$1,048 | 4.2% | \$1,070 | \$1,045 | 2.4% |
| Fredericton | 1,529 | \$1,150 | \$1,083 | 6.2% | \$1,150 | \$1,083 | 6.2% |
| Saint John | 1,202 | \$938 | \$897 | 4.6% | \$938 | \$897 | 4.6% |
| Newfoundland and Labrador | | | | | | | |
| St. John's | 1,103 | \$996 | \$976 | 2.0% | \$1,001 | \$981 | 2.0% |
| Prince Edward Island | | | | | | | |
| Charlottetown | 1,249 | \$1,112 | \$1,090 | 2.0% | \$1,088 | \$1,073 | 1.4% |
| Alberta | | | | | | | |
| Calgary | 764 | \$1,285 | \$1,291 | (0.5)% | \$1,279 | \$1,269 | 0.8% |
| Edmonton | 882 | \$1,492 | \$1,478 | 0.9% | \$1,479 | \$1,478 | 0.1% |
| British Columbia | | | | | | | |
| Victoria ⁽²⁾ | 516 | \$1,686 | \$1,753 | (3.8)% | \$1,813 | \$1,753 | 3.4% |
| Total Apartments (weighted average) | 19,359 | \$1,260 | \$1,201 | 4.9% | \$1,238 | \$1,199 | 3.3% |

(1) The decline in the average net rent in the KWC-GTA region relates to six acquisitions completed in the previous four quarters, consisting of 893 units. This is partially offset by the completion of the 128-unit development, The Kay, that was completed in Q2-2022.

(2) The decline in the average net rent in the Victoria region relates to two acquisitions completed in Q2-2022, consisting of 199 units.

Q2-2022 Management's Discussion and Analysis

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 and six months ended June 30, 2022, whereas rental increases in the previous section reflect the year-over-year change in average rent by region as at June 30, 2022, compared to June 30, 2021.

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

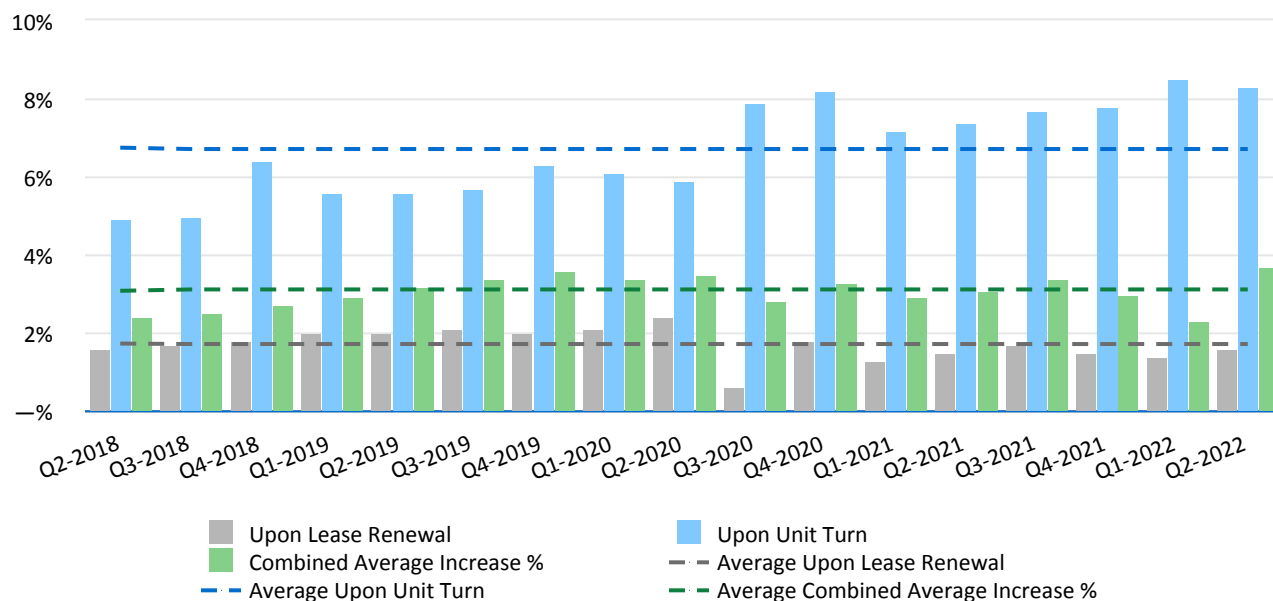
Upon turn, Killam will typically generate rental increases by moving rental rates to market and, where market demand exists, by upgrading units for unlevered returns of approximately 10% on capital invested. As measured by units that turned or renewed in Q2-2022, Killam saw a 60 bps increase in its same property weighted average rental increase, to 3.7% on turns and renewals which came into effect during the second quarter, compared to the same three-month period in 2021. This growth is driven by expansion in mark-to-market opportunities for both regular turns and repositions in the majority of Killam's core markets.

Year-to-date, the weighted average rental increase has declined 20 bps from 3.0% to 2.8%, this decline was mainly driven by the higher lease renewal percentage of 80.5% for the six months ended June 30, 2022, compared to 73.9% for the same period in 2021. Rental increases on unit turns during the first half of the year increased compared to 2021, as strong fundamentals continue to drive higher market rents. The chart below summarizes the rental increases earned during the three and six months ended June 30, 2022 and 2021.

| | For the three months ended June 30, | | | | For the six months ended June 30, | | | |
|--------------------------------|-------------------------------------|----------------------|------------------|----------------------|-----------------------------------|----------------------|------------------|----------------------|
| | 2022 | | 2021 | | 2022 | | 2021 | |
| | Rental Increases | Turnovers & Renewals | Rental Increases | Turnovers & Renewals | Rental Increases | Turnovers & Renewals | Rental Increases | Turnovers & Renewals |
| Lease renewal | 1.6% | 69.5% | 1.5% | 74.1% | 1.5% | 80.5% | 1.4% | 73.9% |
| Unit turn | 8.3% | 30.5% | 7.4% | 25.9% | 8.4% | 19.5% | 7.3% | 26.1% |
| Rental increase (weighted avg) | 3.7% | | 3.1% | | 2.8% | | 3.0% | |

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

Apartments – Historical Same Property Rental Rate Growth



Q2-2022 Management's Discussion and Analysis

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

Apartment Expenses

Total operating expenses for the three and six months ended June 30, 2022, were \$26.0 million and \$54.5 million, a 15.9% and 19.1% increase over the same periods in 2021, due to incremental costs associated with recent acquisitions and developments, coupled with rising natural gas prices.

Total same property operating expenses increased by 2.1% and 6.1% for the three and six months ended June 30, 2022. The increase was driven by an 8.2% and 15.8% increase in utility and fuel expenses due to increases in natural gas costs, with a weighted average price increase of 23.0% in Q2-2022. Oil and propane costs also increased significantly, up 52.3% and 49.2% for the three and six months ended June 30, 2022. In Victoria, same property operating expenses were down as a result of the elimination of third-party property management effective August 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 1.8% and 2.2% for the three and six months ended June 30, 2022, was due to higher contract service costs, increased salary costs and higher property administration expenses.

Same Property Utility and Fuel Expenses

| | Three months ended June 30, | | | Six months ended June 30, | | |
|---------------------------------|-----------------------------|---------|----------|---------------------------|----------|----------|
| | 2022 | 2021 | % Change | 2022 | 2021 | % Change |
| Natural gas | \$2,133 | \$1,734 | 23.0% | \$5,660 | \$4,174 | 35.6% |
| Electricity | 1,919 | 1,982 | (3.2)% | 4,189 | 4,156 | 0.8% |
| Water | 1,490 | 1,503 | (0.9)% | 3,048 | 2,977 | 2.4% |
| Oil & propane | 367 | 241 | 52.3% | 916 | 614 | 49.2% |
| Other | 17 | 17 | —% | 35 | 35 | —% |
| Total utility and fuel expenses | \$5,926 | \$5,477 | 8.2% | \$13,848 | \$11,956 | 15.8% |

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 26% and 29% of Killam's total apartment same property operating expenses for the three and six months ended June 30, 2022. Total same property utility and fuel expenses increased 8.2% for the three months ended June 30, 2022, and 15.8% for the six months ended June 30, 2022.

Same property natural gas expenses increased 23.0% and 35.6% for the three and six months ended June 30, 2022, due to continued increases in natural gas pricing. This included commodity price increases of 76% in Alberta, 48% in Ontario and 30% in Nova Scotia during the quarter, compared to Q2-2021.

Electricity costs decreased 3.2% and increased modestly by 0.8% for the three and six months ended June 30, 2022, due to a reduction of unit electricity being included as part of a tenant's monthly rent in certain regions, given strong market fundamentals. The year-to-date increase in electricity costs is due to increased pricing and consumption as a result of colder temperatures seen in the first quarter.

Heating oil and propane costs increased significantly by 52.3% and 49.2% for the three and six months ended June 30, 2022, compared to the same periods in 2021. This is the result of a 26% increase in oil prices in Q2-2022, compared to the same period in 2021. The majority of Killam's heating oil and propane costs are in Prince Edward Island.

Property Taxes

Property tax expenses for the three and six months ended June 30, 2022, were \$7.3 million and \$15.3 million, a 2.0% decrease and 2.9% increase from the same periods in 2021. The reduction in the current quarter was driven by a change announced by the Government of New Brunswick in June 2022 that property tax assessments would be capped at an increase of 10% in 2022, combined with a reduction in the mill rate in all regions of the province. An adjustment to record anticipated higher New Brunswick property taxes in Q1-2022 was reversed in Q2-2022, resulting in lower property tax expense in Q2-2022. Increases across the majority of Killam's other markets offset this reduction, including 9% in Alberta and Newfoundland, and 5% in Nova Scotia. Killam actively reviews its property tax assessments and appeals tax assessment increases wherever possible, to minimize this impact.

Q2-2022 Management's Discussion and Analysis

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

Apartment Same Property NOI by Region

Three months ended June 30,

| | Property Revenue | | | Property Expenses | | | Net Operating Income | | |
|----------------------------------|------------------|-----------------|-------------|-------------------|-------------------|---------------|----------------------|-----------------|---------------|
| | 2022 | 2021 | % Change | 2022 | 2021 | % Change | 2022 | 2021 | % Change |
| Nova Scotia | | | | | | | | | |
| Halifax | \$23,303 | \$22,175 | 5.1% | (\$8,256) | (\$7,745) | 6.6% | \$15,047 | \$14,430 | 4.3% |
| | 23,303 | 22,175 | 5.1% | (8,256) | (7,745) | 6.6% | 15,047 | 14,430 | 4.3% |
| Ontario | | | | | | | | | |
| Ottawa | 4,008 | 3,924 | 2.1% | (1,312) | (1,284) | 2.2% | 2,696 | 2,640 | 2.1% |
| London | 2,197 | 2,090 | 5.1% | (762) | (716) | 6.4% | 1,435 | 1,374 | 4.4% |
| KWC-GTA | 4,386 | 4,204 | 4.3% | (1,377) | (1,270) | 8.4% | 3,009 | 2,934 | 2.6% |
| | 10,591 | 10,218 | 3.7% | (3,451) | (3,270) | 5.5% | 7,140 | 6,948 | 2.8% |
| New Brunswick | | | | | | | | | |
| Moncton | 7,403 | 7,049 | 5.0% | (2,826) | (3,052) | (7.4)% | 4,577 | 3,997 | 14.5% |
| Fredericton | 5,365 | 5,101 | 5.2% | (1,905) | (2,022) | (5.8)% | 3,460 | 3,079 | 12.4% |
| Saint John | 3,471 | 3,288 | 5.6% | (1,445) | (1,526) | (5.3)% | 2,026 | 1,762 | 15.0% |
| | 16,239 | 15,438 | 5.2% | (6,176) | (6,600) | (6.4)% | 10,063 | 8,838 | 13.9% |
| Newfoundland and Labrador | | | | | | | | | |
| St. John's | 3,098 | 2,894 | 7.0% | (984) | (989) | (0.5)% | 2,114 | 1,905 | 11.0% |
| | 3,098 | 2,894 | 7.0% | (984) | (989) | (0.5)% | 2,114 | 1,905 | 11.0% |
| Prince Edward Island | | | | | | | | | |
| Charlottetown | 3,745 | 3,564 | 5.1% | (1,519) | (1,438) | 5.6% | 2,226 | 2,126 | 4.7% |
| | 3,745 | 3,564 | 5.1% | (1,519) | (1,438) | 5.6% | 2,226 | 2,126 | 4.7% |
| Alberta | | | | | | | | | |
| Calgary | 2,029 | 1,948 | 4.2% | (845) | (699) | 20.9% | 1,184 | 1,249 | (5.2)% |
| Edmonton | 2,428 | 2,369 | 2.5% | (862) | (830) | 3.9% | 1,566 | 1,539 | 1.8% |
| | 4,457 | 4,317 | 3.2% | (1,707) | (1,529) | 11.6% | 2,750 | 2,788 | (1.4)% |
| British Columbia | | | | | | | | | |
| Victoria | 1,722 | 1,661 | 3.7% | (434) | (485) | (10.5)% | 1,288 | 1,176 | 9.5% |
| | \$63,155 | \$60,267 | 4.8% | (\$22,527) | (\$22,056) | 2.1% | \$40,628 | \$38,211 | 6.3% |

Q2-2022 Management's Discussion and Analysis

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

Six months ended June 30,

| | Property Revenue | | | Property Expenses | | | Net Operating Income | | |
|----------------------------------|------------------|------------------|-------------|-------------------|-------------------|-------------|----------------------|-----------------|---------------|
| | 2022 | 2021 | % Change | 2022 | 2021 | % Change | 2022 | 2021 | % Change |
| Nova Scotia | | | | | | | | | |
| Halifax | \$46,392 | \$43,949 | 5.6% | (\$17,247) | (\$15,732) | 9.6% | \$29,145 | \$28,217 | 3.3% |
| | 46,392 | 43,949 | 5.6% | (17,247) | (15,732) | 9.6% | 29,145 | 28,217 | 3.3% |
| Ontario | | | | | | | | | |
| Ottawa | 7,955 | 7,829 | 1.6% | (2,671) | (2,576) | 3.7% | 5,284 | 5,253 | 0.6% |
| London | 4,395 | 4,174 | 5.3% | (1,603) | (1,474) | 8.8% | 2,792 | 2,700 | 3.4% |
| KWC-GTA | 8,719 | 8,381 | 4.0% | (2,802) | (2,649) | 5.8% | 5,917 | 5,732 | 3.2% |
| | 21,069 | 20,384 | 3.4% | (7,076) | (6,699) | 5.6% | 13,993 | 13,685 | 2.3% |
| New Brunswick | | | | | | | | | |
| Moncton | 14,732 | 13,980 | 5.4% | (6,327) | (6,142) | 3.0% | 8,405 | 7,838 | 7.2% |
| Fredericton | 10,704 | 10,159 | 5.4% | (4,175) | (4,112) | 1.5% | 6,529 | 6,047 | 8.0% |
| Saint John | 6,923 | 6,541 | 5.8% | (3,299) | (3,223) | 2.4% | 3,624 | 3,318 | 9.2% |
| | 32,359 | 30,680 | 5.5% | (13,801) | (13,477) | 2.4% | 18,558 | 17,203 | 7.9% |
| Newfoundland and Labrador | | | | | | | | | |
| St. John's | 6,163 | 5,710 | 7.9% | (2,086) | (2,083) | 0.1% | 4,077 | 3,627 | 12.4% |
| | 6,163 | 5,710 | 7.9% | (2,086) | (2,083) | 0.1% | 4,077 | 3,627 | 12.4% |
| Prince Edward Island | | | | | | | | | |
| Charlottetown | 7,477 | 7,037 | 6.3% | (3,291) | (3,021) | 8.9% | 4,186 | 4,016 | 4.2% |
| | 7,477 | 7,037 | 6.3% | (3,291) | (3,021) | 8.9% | 4,186 | 4,016 | 4.2% |
| Alberta | | | | | | | | | |
| Calgary | 4,022 | 3,939 | 2.1% | (1,660) | (1,458) | 13.9% | 2,362 | 2,481 | (4.8)% |
| Edmonton | 4,805 | 4,768 | 0.8% | (1,805) | (1,746) | 3.4% | 3,000 | 3,022 | (0.7)% |
| | 8,827 | 8,707 | 1.4% | (3,465) | (3,204) | 8.1% | 5,362 | 5,503 | (2.6)% |
| British Columbia | | | | | | | | | |
| Victoria | 3,457 | 3,328 | 3.9% | (954) | (967) | (1.3)% | 2,503 | 2,361 | 6.0% |
| | \$125,744 | \$119,795 | 5.0% | (\$47,920) | (\$45,183) | 6.1% | \$77,824 | \$74,612 | 4.3% |

Q2-2022 Management's Discussion and Analysis

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

MHC Results

For the three months ended June 30,

| | Total Portfolio | | | Same Property | | |
|-----------------------------|-----------------|---------|-----------|---------------|---------|----------|
| | 2022 | 2021 | % Change | 2022 | 2021 | % Change |
| Property revenue | \$5,221 | \$4,919 | 6.1% | \$5,132 | \$4,782 | 7.3% |
| Property operating expenses | 1,822 | 1,410 | 29.2% | 1,815 | 1,668 | 8.8% |
| NOI | \$3,399 | \$3,509 | (3.1)% | \$3,317 | \$3,114 | 6.5% |
| Operating margin % | 65.1% | 71.3% | (620) bps | 64.6% | 65.1% | (50) bps |

For the six months ended June 30,

| | Total Portfolio | | | Same Property | | |
|-----------------------------|-----------------|---------|-----------|---------------|---------|----------|
| | 2022 | 2021 | % Change | 2022 | 2021 | % Change |
| Property revenue | \$8,735 | \$8,267 | 5.7% | \$8,643 | \$8,180 | 5.7% |
| Property operating expenses | 3,329 | 3,034 | 9.7% | 3,358 | 3,128 | 7.4% |
| NOI | \$5,406 | \$5,233 | 3.3% | \$5,285 | \$5,052 | 4.6% |
| Operating margin % | 61.9% | 63.3% | (140) bps | 61.1% | 61.8% | (70) bps |

The MHC business generated 6.6% and 5.6% of Killam's NOI for the three and six months ended June 30, 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, same property NOI from the MHC portfolio increased by 6.5% and 4.6% for the three and six months ended June 30, 2022. This growth is attributable to a 7.3% and 5.7% increase in revenue for the three and six months ended June 30, 2022, offset by increases in property operating expenses of 8.8% and 7.4%, compared to the same periods in 2021.

For the three months ended June 30,

| | Property Revenue | | | Property Expenses | | | Net Operating Income | | |
|------------------|------------------|---------|----------|-------------------|-----------|----------|----------------------|---------|----------|
| | 2022 | 2021 | % Change | 2022 | 2021 | % Change | 2022 | 2021 | % Change |
| Permanent MHCs | \$3,209 | \$3,117 | 3.0% | (\$1,113) | (\$1,102) | 1.0% | \$2,096 | \$2,015 | 4.0% |
| Seasonal Resorts | 1,923 | 1,665 | 15.5% | (702) | (566) | 24.0% | 1,221 | 1,099 | 11.1% |
| | \$5,132 | \$4,782 | 7.3% | (\$1,815) | (\$1,668) | 8.8% | \$3,317 | \$3,114 | 6.5% |

For the six months ended June 30,

| | Property Revenue | | | Property Expenses | | | Net Operating Income | | |
|------------------|------------------|---------|----------|-------------------|-----------|----------|----------------------|---------|----------|
| | 2022 | 2021 | % Change | 2022 | 2021 | % Change | 2022 | 2021 | % Change |
| Permanent MHCs | \$6,404 | \$6,225 | 2.9% | (\$2,316) | (\$2,195) | 5.5% | \$4,088 | \$4,030 | 1.4% |
| Seasonal Resorts | 2,239 | 1,955 | 14.5% | (1,042) | (933) | 11.7% | 1,197 | 1,022 | 17.1% |
| | \$8,643 | \$8,180 | 5.7% | (\$3,358) | (\$3,128) | 7.4% | \$5,285 | \$5,052 | 4.6% |

For the three and six months ended June 30, 2022, same property permanent MHCs generated a 4.0% and 1.4% increase in NOI, with average rent increasing 2.2% in Q2-2022 to \$285 per site, compared to \$279 per site in Q2-2021. Occupancy increased slightly by 10 bps to 98.4% in Q2-2022, compared to the same period in 2021. Revenue and NOI growth is further augmented through MHC site expansions at many of Killam's parks.

Killam's seasonal resort portfolio achieved strong same property revenue growth, generating a 15.5% increase in revenue for the three months ended June 30, 2022, compared to Q2-2021. Same property seasonal MHCs had an 11.1% and 17.1% increase in NOI for the three and six months ended June 30, 2022, as increased revenues offset increases in property expenses in the periods. Over the remainder of the season Killam expects strong revenue growth as a result of higher transient camping, as well as 99.0% occupancy at its seasonal parks.

Q2-2022 Management's Discussion and Analysis

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

Commercial Results

For the three months ended June 30,

| | Total Portfolio | | | Same Property | | |
|-----------------------------|-----------------|---------|----------|---------------|---------|----------|
| | 2022 | 2021 | % Change | 2022 | 2021 | % Change |
| Property revenue | \$4,892 | \$4,085 | 19.8% | \$3,386 | \$3,084 | 9.8% |
| Property operating expenses | 2,066 | 1,874 | 10.2% | 1,342 | 1,253 | 7.1% |
| NOI | \$2,826 | \$2,211 | 27.8% | \$2,044 | \$1,831 | 11.6% |

For the six months ended June 30,

| | Total Portfolio | | | Same Property | | |
|-----------------------------|-----------------|---------|----------|---------------|---------|----------|
| | 2022 | 2021 | % Change | 2022 | 2021 | % Change |
| Property revenue | \$9,501 | \$8,179 | 16.2% | \$6,728 | \$6,209 | 8.4% |
| Property operating expenses | 4,219 | 4,020 | 5.0% | 2,756 | 2,774 | (0.6)% |
| NOI | \$5,282 | \$4,159 | 27.0% | \$3,972 | \$3,435 | 15.6% |

Killam's commercial property portfolio contributed \$2.8 million and \$5.3 million, or 5.5% and 5.4%, of Killam's total NOI for the three and six months ended June 30, 2022.

Killam's commercial property portfolio totals 946,372 SF, and is 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 increased to 93.1% for Q2-2022, compared to 89.9% in Q2-2021.

The increase in NOI during the three and six months ended June 30, 2022, relates 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.

Q2-2022 Management's Discussion and Analysis

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 June 30, | | | Six months ended June 30, | | |
|--|-----------------------------|------------------|----------------|---------------------------|------------------|----------------|
| | 2022 | 2021 | % Change | 2022 | 2021 | % Change |
| Net operating income | \$51,685 | \$44,596 | 15.9% | \$96,948 | \$84,859 | 14.2% |
| Other income | 507 | 267 | 89.9% | 886 | 504 | 75.8% |
| Financing costs | (14,572) | (12,359) | 17.9% | (27,841) | (24,706) | 12.7% |
| Depreciation | (134) | (139) | (3.6)% | (273) | (271) | 0.7% |
| Administration | (4,150) | (3,720) | 11.6% | (8,415) | (7,375) | 14.1% |
| Fair value adjustment on unit-based compensation | 921 | (391) | (335.5)% | 2,005 | (602) | (433.1)% |
| Fair value adjustment on exchangeable units | 17,098 | (7,071) | (341.8)% | 25,787 | (12,813) | (301.3)% |
| Fair value adjustment on investment properties | 27,554 | 134,076 | (79.4)% | 55,542 | 147,885 | (62.4)% |
| Income before income taxes | 78,909 | 155,259 | (49.2)% | 144,639 | 187,481 | (22.9)% |
| Deferred tax expense | (10,193) | (18,587) | (45.2)% | (15,896) | (23,387) | (32.0)% |
| Net income and comprehensive income | \$68,716 | \$136,672 | (49.7)% | \$128,743 | \$164,094 | (21.5)% |

Net income and comprehensive income decreased by \$68.0 million and \$35.4 million for the three and six months ended June 30, 2022, as a result of \$27.6 million and \$55.5 million of fair value gains on Killam's investment properties, compared to \$134.1 million and \$147.9 million of fair value gains for the same periods in 2021. This was offset by \$7.1 million and \$12.1 million increases in net operating income driven by acquisitions and same property NOI growth for the three and six months ended June 30, 2022. Additionally, there was a \$8.4 million and \$7.5 million decrease in deferred tax expense for the three and six months ended June 30, 2022.

Financing Costs

| | Three months ended June 30, | | | Six months ended June 30, | | |
|--|-----------------------------|-----------------|--------------|---------------------------|-----------------|--------------|
| | 2022 | 2021 | % Change | 2022 | 2021 | % Change |
| Mortgage, loan and construction loan interest | \$13,209 | \$11,292 | 17.0% | \$25,585 | \$22,431 | 14.1% |
| Interest on credit facilities | 494 | 160 | 208.8% | 691 | 467 | 48.0% |
| Interest on exchangeable units | 701 | 681 | 2.9% | 1,402 | 1,378 | 1.7% |
| Amortization of deferred financing costs | 910 | 877 | 3.8% | 1,770 | 1,754 | 0.9% |
| Amortization of fair value adjustments on assumed debt | 20 | 12 | 66.7% | 40 | 24 | 66.7% |
| Unrealized gain on derivative liability | (62) | (40) | 55.0% | (170) | (80) | 112.5% |
| Interest on lease liabilities | 97 | 97 | —% | 195 | 193 | 1.0% |
| Capitalized interest | (797) | (720) | 10.7% | (1,672) | (1,461) | 14.4% |
| | \$14,572 | \$12,359 | 17.9% | \$27,841 | \$24,706 | 12.7% |

Total financing costs increased \$2.2 million, or 17.9%, for the three months ended June 30, 2022, compared to Q2-2021. For the six months ended June 30, 2022, financing costs increased \$3.1 million, or 12.7%, compared to the same periods in 2021 as result of acquisitions and developments.

Mortgage, loan and construction loan interest expense was \$13.2 million and \$25.6 million for the three and six months ended June 30, 2022, an increase of \$1.9 million, or 17.0%, and \$3.2 million, or 14.1%, compared to the same periods in 2021. Killam's mortgage, loan and construction loan liability balance increased by \$132.4 million over the past 12 months as Killam upfinanced maturing mortgages within its existing portfolio, advanced its development projects with construction financing and obtained financing for acquisitions. The average interest rate on refinancings for the six months ended June 30, 2022, was 3.32%, 55 bps higher than the average interest rate on expiring debt.

Interest on credit facilities increased \$0.3 million, or 208.8%, and \$0.2 million, or 48.0%, for the three and six months ended June 30, 2022, compared to the same periods in 2021. This rise is due to a \$69.6 million increase in drawn credit facilities from Q2-2022 to Q2-2021, which has been used to cover acquisition costs incurred during the quarter. Two assets were acquired with cash, and Killam is in the process of placing permanent financing which will be used to reduce the balance on the credit facility.

Q2-2022 Management's Discussion and Analysis

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

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 increased 3.8% and 0.9% for the three and six months ended June 30, 2022, following mortgage refinancings and new debt placements related to property acquisitions over the past 12 months.

Capitalized interest increased 10.7% and 14.4% for the three and six months ended June 30, 2022, compared to the same periods in 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.

Administration Expenses

| | Three months ended June 30, | | | Six months ended June 30, | | |
|-----------------------------------|-----------------------------|---------|----------|---------------------------|---------|----------|
| | 2022 | 2021 | % Change | 2022 | 2021 | % Change |
| Administration | \$4,150 | \$3,720 | 11.6% | \$8,415 | \$7,375 | 14.1% |
| As a percentage of total revenues | 5.1% | 5.3% | (20) bps | 5.3% | 5.3% | – 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 and six months ended June 30, 2022, total administration expenses increased \$0.4 million, or 11.6%, and \$1.0 million, or 14.1%, compared to the same periods in 2021. This was 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 5.1% for Q2-2022, a 20 bps decrease over Q2-2021.

Fair Value Adjustments

| | Three months ended June 30, | | | Six months ended June 30, | | |
|----------------------------------|-----------------------------|-----------|----------|---------------------------|-----------|----------|
| | 2022 | 2021 | % Change | 2022 | 2021 | % Change |
| Investment properties | \$27,554 | \$134,076 | (79.4)% | \$55,542 | \$147,885 | (62.4)% |
| Deferred unit-based compensation | 921 | (391) | (335.5)% | 2,005 | (602) | (433.1)% |
| Exchangeable units | 17,098 | (7,071) | (341.8)% | 25,787 | (12,813) | (301.3)% |
| | \$45,573 | \$126,614 | (64.0)% | \$83,334 | \$134,470 | (38.0)% |

Killam recognized \$27.6 million and \$55.5 million in fair value gains related to its investment properties for the three and six months ended June 30, 2022, compared to \$134.1 million and \$147.9 million in fair value gains for the three and six months ended June 30, 2021. The increase in fair value gains recognized is due to continued high demand for apartments across the country driving NOI growth.

Restricted Trust Units (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 and six months ended June 30, 2022, there was an unrealized fair value gain of \$0.9 million and \$2.0 million, compared to a \$0.4 million and \$0.6 million loss for the same periods in 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 and six months ended June 30, 2022, there was an unrealized gain on remeasurement of \$17.1 million and \$25.8 million, compared to an unrealized loss of \$7.1 million and \$12.8 million for the same periods in 2021. The unrealized gain in the quarter reflects a decrease in Killam's unit price as at June 30, 2022, compared to March 31, 2022.

Q2-2022 Management's Discussion and Analysis

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

Deferred Tax Expense

| | Three months ended June 30, | | | Six months ended June 30, | | |
|--|-----------------------------|----------|----------|---------------------------|----------|----------|
| | 2022 | 2021 | % Change | 2021 | 2020 | % Change |
| | \$10,193 | \$18,587 | (45.2)% | \$15,896 | \$23,387 | (32.0)% |

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 decreased by \$8.4 million and \$7.5 million for the three and six months ended June 30, 2022, compared to the same periods in 2021. This is due to lower fair value gains recorded on investment properties in the current periods compared to the same periods in 2021.

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 financial 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 June 30, 2022 |
|-------------------------------------|---|---------|----------|---------------------------|---------|----------|--|
| | Three months ended June 30, | | | Six months ended June 30, | | | |
| | 2022 | 2021 | % Change | 2022 | 2021 | % Change | |
| Trust units | 115,761 | 105,759 | 9.5% | 114,684 | 104,578 | 9.7% | 115,944 |
| Exchangeable units | 4,004 | 4,011 | (0.2)% | 4,004 | 4,056 | (1.3)% | 4,004 |
| Basic number of units | 119,765 | 109,770 | 9.1% | 118,688 | 108,634 | 9.3% | 119,948 |
| Plus: | | | | | | | |
| Units under RTU Plan ⁽¹⁾ | 173 | 159 | 8.8% | 170 | 160 | 6.3% | — |
| Diluted number of units | 119,938 | 109,929 | 9.1% | 118,858 | 108,794 | 9.3% | — |

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

Q2-2022 Management's Discussion and Analysis

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

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 and six months ended June 30, 2022 and 2021 are calculated as follows:

| | Three months ended June 30, | | | Six months ended June 30, | | |
|---|-----------------------------|-----------|----------|---------------------------|-----------|----------|
| | 2022 | 2021 | % Change | 2022 | 2021 | % Change |
| Net income | \$68,716 | \$136,672 | (49.7)% | \$128,743 | \$164,094 | (21.5)% |
| Fair value adjustments | (45,573) | (126,614) | (64.0)% | (83,334) | (134,470) | (38.0)% |
| Non-controlling interest | (4) | (3) | 33.3% | (8) | (5) | 60.0% |
| Internal commercial leasing costs | 75 | 52 | 44.2% | 150 | 103 | 45.6% |
| Deferred tax expense | 10,193 | 18,587 | (45.2)% | 15,896 | 23,387 | (32.0)% |
| Interest expense on exchangeable units | 701 | 681 | 2.9% | 1,402 | 1,378 | 1.7% |
| Unrealized gain on derivative liability | (62) | (40) | 55.0% | (170) | (80) | (112.5)% |
| Depreciation on owner-occupied building | 26 | 27 | (3.7)% | 51 | 54 | (5.6)% |
| Change in principal related to lease liabilities | 6 | 7 | (14.3)% | 11 | 14 | (21.4)% |
| FFO | \$34,078 | \$29,369 | 16.0% | \$62,741 | \$54,475 | 15.2% |
| FFO per unit – basic | \$0.28 | \$0.27 | 3.7% | \$0.53 | \$0.50 | 6.0% |
| FFO per unit – diluted | \$0.28 | \$0.27 | 3.7% | \$0.53 | \$0.50 | 6.0% |
| Weighted average number of units – basic (000s) | 119,765 | 109,770 | 9.1% | 118,688 | 108,634 | 9.3% |
| Weighted average number of units – diluted (000s) | 119,938 | 109,929 | 9.1% | 118,858 | 108,794 | 9.3% |

Killam earned FFO of \$34.1 million, or \$0.28 per unit (diluted), for the three months ended June 30, 2022, compared to \$29.4 million, or \$0.27 per unit (diluted), for the three months ended June 30, 2021. FFO growth is attributable to contributions from acquisitions and completed developments (\$3.3 million) and same property NOI growth (\$2.2 million). These increases were partially offset by a 9.1% increase in the weighted average number of units outstanding as well as higher administration costs (\$0.4 million) and interest costs related to Killam's credit facility (\$0.3 million).

Killam earned FFO of \$62.7 million, or \$0.53 per unit (diluted), for the six months ended June 30, 2022, compared to \$54.5 million, or \$0.50 per unit (diluted), for the six months ended June 30, 2021. FFO growth is attributable to contributions from acquisitions and completed developments (\$6.0 million) and same property NOI growth (\$3.4 million). These increases were partially offset by a 9.3% increase in the weighted average number of units outstanding as well as higher administration costs (\$1.0 million).

Q2-2022 Management's Discussion and Analysis

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

Adjusted Funds from Operations

AFFO is a non-IFRS financial 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 historical 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 June 30, | | | Six months ended June 30, | | |
|--|-----------------------------|----------|-----------|---------------------------|----------|-----------|
| | 2022 | 2021 | % Change | 2022 | 2021 | % Change |
| FFO | \$34,078 | \$29,369 | 16.0% | \$62,741 | \$54,475 | 15.2% |
| Maintenance capital expenditures | (4,819) | (4,400) | 9.5% | (9,552) | (8,768) | 8.9% |
| Commercial straight-line rent adjustment | (27) | (78) | (65.4)% | (140) | (251) | (44.2)% |
| Internal commercial leasing costs | (230) | (117) | 96.6% | (309) | (196) | 57.7% |
| AFFO | \$29,002 | \$24,774 | 17.1% | \$52,740 | \$45,260 | 16.5% |
| AFFO per unit – basic | \$0.24 | \$0.23 | 4.3% | \$0.44 | \$0.42 | 4.8% |
| AFFO per unit – diluted | \$0.24 | \$0.23 | 4.3% | \$0.44 | \$0.42 | 4.8% |
| AFFO payout ratio – diluted | 72% | 75% | (300) bps | 79% | 82% | (300) bps |
| AFFO payout ratio – rolling 12 months ⁽¹⁾ | 75% | 80% | (500) bps | | | |
| Weighted average number of units – basic (000s) | 119,765 | 109,770 | 9.1% | 118,688 | 108,634 | 9.3% |
| Weighted average number of units – diluted (000s) | 119,938 | 109,929 | 9.1% | 118,858 | 108,794 | 9.3% |

(1) Based on Killam's annual distribution of \$0.69664 for the 12-month period ended June 30, 2022, and \$0.68004 for the 12-month period ended June 30, 2021.

The payout ratio of 72% in Q2-2022, compared to the rolling 12-month payout ratio of 75%, 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 and six months ended June 30, 2022, is attributable to higher AFFO per unit growth of 4.3% and 4.8%, 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.

Q2-2022 Management's Discussion and Analysis

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 and six months ended June 30, 2022 and 2021) to ACFO is as follows:

| | Three months ended June 30, | | | Six months ended June 30, | | |
|--|-----------------------------|----------|-----------|---------------------------|----------|-----------|
| | 2022 | 2021 | % Change | 2022 | 2021 | % Change |
| Cash provided by operating activities | \$24,187 | \$25,837 | (6.4)% | \$47,953 | \$53,592 | (10.5)% |
| Adjustments: | | | | | | |
| Changes in non-cash working capital not indicative of sustainable cash flows | 11,338 | 5,679 | (99.6)% | 16,307 | 3,365 | 384.6% |
| Maintenance capital expenditures | (4,819) | (4,400) | 9.5% | (9,552) | (8,768) | 8.9% |
| Internal commercial leasing costs | (93) | (78) | 19.2% | (211) | (121) | 74.4% |
| Amortization of deferred financing costs | (910) | (877) | 3.8% | (1,770) | (1,754) | 0.9% |
| Interest expense related to lease liability | (5) | (7) | (28.6)% | (11) | (14) | (21.4)% |
| Non-controlling interest | (4) | (3) | 33.3% | (8) | (2) | 300.0% |
| ACFO | \$29,694 | \$26,151 | 13.5% | \$52,708 | \$46,298 | 13.8% |
| Distributions declared ⁽¹⁾ | 21,215 | 19,260 | 10.2% | 42,105 | 37,783 | 11.4% |
| Excess of ACFO over cash distributions | \$8,479 | \$6,891 | 23.0% | \$10,603 | \$8,515 | 24.5% |
| ACFO payout ratio – diluted ⁽²⁾ | 71% | 74% | (300) bps | 80% | 82% | (200) bps |

(1) Includes distributions on trust units, exchangeable units and restricted trust units, as summarized on page 40.

(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 June 2022.

Killam's ACFO payout ratio is 71% and 80% for the three and six months ended June 30, 2022, lower than the payout ratio for the three and six months ended June 30, 2021. Similar 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. This is 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 June 30, | | Six months ended June 30, | |
|---|-----------------------------|-----------|---------------------------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| Net income | \$68,716 | \$136,672 | \$128,743 | \$164,094 |
| Cash provided by operating activities | \$24,187 | \$25,837 | \$47,953 | \$53,592 |
| Total distributions declared | \$21,215 | \$19,260 | \$42,105 | \$37,783 |
| Excess of net income over total distributions declared | \$47,501 | \$117,412 | \$86,638 | \$126,311 |
| Excess of net income over net distributions paid ⁽¹⁾ | \$53,773 | \$123,779 | \$99,392 | \$138,720 |
| Excess of cash provided by operating activities over total distributions declared | \$2,972 | \$6,577 | \$5,848 | \$15,809 |

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

Q2-2022 Management's Discussion and Analysis

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 \$90.0 million of capital under its credit facilities and cash on hand and acquisition capacity of over \$150.0 million.
- (iii) Mortgage refinancings and construction loans are expected to be sufficient to fund value-enhancing capex, principal repayments and developments. Killam has \$300.0 million of mortgage debt scheduled for refinancing in the next 18 months, expected to lead to upfinancing opportunities of over \$80.0 - \$100.0 million.
- (iv) Upcoming mortgage maturities are expected to be renewed through Killam's mortgage program.
- (v) Killam has unencumbered assets of approximately \$120.0 million, on 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 June 30, 2022, was 44.3%.

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 August 10, 2022, Killam was in compliance with said covenants.

The table below outlines Killam's key debt metrics:

| As at | June 30, 2022 | December 31, 2021 | Change |
|--|---------------|-------------------|-----------|
| Weighted average years to debt maturity | 4.2 | 4.0 | 0.2 years |
| Total debt as a percentage of total assets | 44.3% | 45.0% | (70) bps |
| Interest coverage | 3.51x | 3.53x | (0.6)% |
| Debt service coverage | 1.52x | 1.53x | (0.7)% |
| Debt to normalized EBITDA ⁽¹⁾ | 11.19x | 11.33x | (1.2)% |
| Weighted average mortgage interest rate | 2.63% | 2.58% | 5 bps |
| Weighted average interest rate of total debt | 2.68% | 2.52% | 16 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 | June 30, 2022 | December 31, 2021 |
|--|---------------|-------------------|
| Mortgages and loans payable | \$1,937,435 | \$1,915,334 |
| Credit facilities | \$99,628 | \$61,730 |
| Construction loans | \$105,285 | \$77,596 |
| Total interest bearing debt | \$2,142,348 | \$2,054,660 |
| Total assets ⁽¹⁾ | \$4,835,658 | \$4,568,903 |
| Total debt as a percentage of total assets | 44.3% | 45.0% |

(1) Excludes right-of-use asset of \$9.6 million as at June 30, 2022 (December 31, 2021 - \$9.6 million).

Total debt as a percentage of total assets was 44.3% as at June 30, 2022, compared to 45.0% as at December 31, 2021. The decrease in total leverage is attributable to fair value gains related to NOI growth, offset by additional drawings made on Killam's debt. 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.

Q2-2022 Management's Discussion and Analysis

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) |
|--|--|--------------|---------------------------------|--------------|
| (1.00)% | \$6,065,829 | \$6,110,317 | 35.1% | (920) |
| (0.75)% | \$5,668,950 | \$5,713,438 | 37.5% | (680) |
| (0.50)% | \$5,322,508 | \$5,366,996 | 39.9% | (440) |
| (0.25)% | \$5,017,428 | \$5,061,916 | 42.3% | (200) |
| —% | \$4,791,170 | \$4,835,658 | 44.3% | — |
| 0.25% | \$4,504,807 | \$4,549,295 | 47.1% | 280 |
| 0.50% | \$4,287,367 | \$4,331,855 | 49.5% | 520 |
| 0.75% | \$4,090,838 | \$4,135,326 | 51.8% | 750 |
| 1.00% | \$3,912,334 | \$3,956,822 | 54.1% | 980 |

(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 June 30, 2022, and December 31, 2021:

| Twelve months ended, | June 30, 2022 | December 31, 2021 | % Change |
|--|---------------|-------------------|----------|
| Net income | \$250,177 | \$285,527 | (12.4)% |
| Deferred tax expense | 34,901 | 42,393 | (17.7)% |
| Financing costs | 54,655 | 51,521 | 6.1% |
| Depreciation | 576 | 573 | 0.5% |
| Fair value adjustment on unit-based compensation | (739) | 1,869 | (139.5)% |
| Fair value adjustment on exchangeable units | (12,493) | 26,107 | (147.9)% |
| Fair value adjustment on investment properties | (147,341) | (239,684) | (38.5)% |
| Adjusted EBITDA | 179,736 | 168,306 | 6.8% |
| Normalizing adjustment ⁽¹⁾ | 10,968 | 12,999 | (15.6)% |
| Normalized adjusted EBITDA | 190,704 | 181,305 | 5.2% |
| Net debt | \$2,133,494 | \$2,054,225 | 3.9% |
| Debt to normalized adjusted EBITDA | 11.19x | 11.33x | (1.2)% |

(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 12 months.

Interest and Debt Service Coverage

| Rolling 12 months ending, | June 30, 2022 | December 31, 2021 | % Change |
|---------------------------------|---------------|-------------------|----------|
| NOI | \$196,210 | \$183,235 | 7.1% |
| Other income | 555 | 1,059 | (47.6)% |
| Administration | (17,029) | (15,988) | 6.5% |
| Adjusted EBITDA | 179,736 | 168,306 | 6.8% |
| Interest expense ⁽¹⁾ | 51,150 | 47,746 | 7.1% |
| Interest coverage ratio | 3.51x | 3.53x | (0.6)% |
| Principal repayments | 66,822 | 62,246 | 7.4% |
| Interest expense | 51,150 | 47,746 | 7.1% |
| Debt service coverage ratio | 1.52x | 1.53x | (0.7)% |

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

Q2-2022 Management's Discussion and Analysis

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

Mortgages and Other Loans

Killam's long-term debt consists 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 June 30, 2022, was 2.63%, a 16 bps increase to the rate as at December 31, 2021.

Refinancings

For the six months ended June 30, 2022, Killam refinanced the following mortgages:

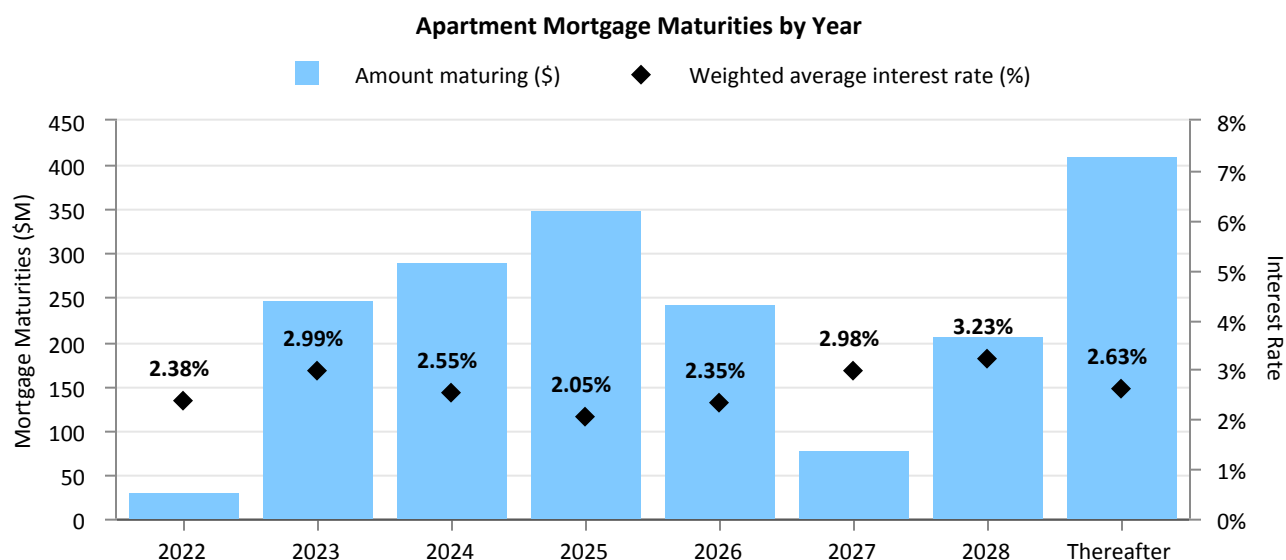
| | Mortgage Debt Maturities | | Mortgage Debt on Refinancing | | Weighted Average Term | Net Proceeds |
|---------------------|--------------------------|--------------|------------------------------|--------------|-----------------------|-----------------|
| Apartments | \$105,017 | 2.77% | \$149,857 | 3.32% | 8.9 years | \$44,840 |
| MHCs ⁽¹⁾ | 3,827 | 2.89% | — | —% | — | (3,827) |
| | \$108,844 | 2.77% | \$149,857 | 3.32% | 8.9 years | \$41,013 |

(1) Two MHC mortgages that came up for renewal were repaid in Q2-2022.

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:

| Year of Maturity | Apartments | | | MHCs and Commercial | | Total | |
|------------------|--------------------|--------------------------|----------------|---------------------|--------------------------|--------------------------------|--------------------------|
| | Balance June 30 | Weighted Avg Int. Rate % | % CMHC Insured | Balance June 30 | Weighted Avg Int. Rate % | Balance June 30 ⁽¹⁾ | Weighted Avg Int. Rate % |
| 2022 | \$30,798 | 2.38% | 100.0% | \$18,627 | 3.72% | \$49,425 | 2.88% |
| 2023 | 247,742 | 2.99% | 52.1% | 32,796 | 3.62% | 280,537 | 3.06% |
| 2024 | 290,975 | 2.55% | 73.2% | 25,523 | 2.89% | 316,498 | 2.57% |
| 2025 | 350,447 | 2.05% | 52.7% | 21,203 | 2.61% | 371,650 | 2.08% |
| 2026 | 244,328 | 2.35% | 82.5% | 7,784 | 2.69% | 252,113 | 2.36% |
| Thereafter | 698,875 | 2.85% | 97.9% | 4,046 | 3.31% | 702,922 | 2.85% |
| | \$1,863,165 | 2.60% | 77.5% | \$109,980 | 3.19% | \$1,973,145 | 2.63% |

(1) Excludes \$3.8 million in variable rate demand loans secured by development properties, which are classified as mortgages and loans payable as at June 30, 2022.



Q2-2022 Management's Discussion and Analysis

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 June 30, 2022, approximately 77.5% of Killam's apartment mortgages were CMHC-insured (73.1% 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 2.62% as at June 30, 2022 (December 31, 2021 - 2.54%).

Based on current market acquisitions, management expects to refinance its maturing debt in 2022 and 2023 at higher interest rates. Indicative borrowing costs as at August 10, 2022 reflect conventional 5-year and 10-year mortgage debt within the ranges of 4.2%–4.6% and 4.6%–4.8%, and CMHC insured 5-year and 10-year mortgage debt within the ranges of 3.4%–3.9% and 3.4%–4.3%.

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 | 7 | \$4,118 | \$30,659 |
| MHCs and commercial with debt maturing | 7 | 2,594 | 18,490 |
| | 14 | \$6,712 | \$49,149 |

| 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 June 30, 2022, the timing of Killam's future contractual debt obligations is as follows:

| Twelve months ending June 30, | Mortgage and Loans Payable | Construction Loans ⁽¹⁾ | Credit Facilities | Total |
|--------------------------------------|-----------------------------------|--|--------------------------|--------------------|
| 2023 | \$290,129 | \$105,285 | \$8,628 | \$404,042 |
| 2024 | 286,417 | — | 91,000 | 377,417 |
| 2025 | 320,540 | — | — | 320,540 |
| 2026 | 298,184 | — | — | 298,184 |
| 2027 | 241,398 | — | — | 241,398 |
| Thereafter | 540,277 | — | — | 540,277 |
| | \$1,976,945 | \$105,285 | \$99,628 | \$2,181,858 |

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

Q2-2022 Management's Discussion and Analysis

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 June 30, 2022. This facility matures December 16, 2024 and includes a one-year extension option.

The \$15.0 million demand facility bears interest at prime plus 125 bps on advances and 155 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 June 30, 2022.

| As at June 30, 2022 | Maximum Loan Amount ⁽¹⁾ | Amount Drawn | Letters of Credit | Amount Available |
|--------------------------|------------------------------------|-----------------|-------------------|------------------|
| \$155.0 million facility | \$175,000 | \$91,000 | \$— | \$84,000 |
| \$15.0 million facility | 15,000 | 8,628 | 2,243 | 4,129 |
| Total | \$190,000 | \$99,628 | \$2,243 | \$88,129 |

| 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 June 30, 2022, Killam had access to six variable rate non-revolving demand construction loans, for the purpose of financing development projects, totalling \$186.6 million. As at June 30, 2022, \$105.3 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 during the three-month period ended June 30, 2022 was 2.84% (December 31, 2021 - 2.01%). Once construction is complete and rental targets achieved, the construction loans are expected to be repaid in full and replaced with conventional mortgages. Killam expects to place permanent financing on three construction loans (with a total balance of \$85.4 million at June 30, 2022) during the second half of 2022.

Investment Properties

As at

| | June 30, 2022 | December 31, 2021 | % Change |
|---|--------------------|--------------------|-------------|
| Investment properties | \$4,608,388 | \$4,284,030 | 7.6% |
| Investment properties under construction (IPUC) | 144,795 | 201,319 | (28.1)% |
| Land for development | 37,987 | 55,528 | (31.6)% |
| | \$4,791,170 | \$4,540,877 | 5.5% |

Continuity of Investment Properties

As at

| | June 30, 2022 | December 31, 2021 | % Change |
|---|--------------------|--------------------|--------------|
| Balance, beginning of period | \$4,284,030 | \$3,570,198 | 20.0% |
| Acquisition of properties | 114,391 | 393,028 | (70.9)% |
| Transfer from IPUC | 125,411 | 17,254 | 626.9% |
| Transfer from land for development | 1,394 | — | N/A |
| Capital expenditures and development costs ⁽¹⁾ | 33,249 | 76,940 | (56.8)% |
| Fair value adjustment – Apartments | 52,397 | 210,829 | (75.1)% |
| Fair value adjustment – MHCs | (666) | 12,844 | (105.2)% |
| Fair value adjustment – Commercial | (1,818) | 2,937 | (161.9)% |
| Balance, end of period | \$4,608,388 | \$4,284,030 | 7.6% |

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

Q2-2022 Management's Discussion and Analysis

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

Killam reviewed its valuation of investment properties in light of COVID-19 higher inflation and increased borrowing costs as at June 30, 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 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 June 30, 2022 and 2021, and December 31, 2021, is as follows:

Capitalization Rates

| | June 30, 2022 | | | December 31, 2021 | | | June 30, 2021 | | |
|------------|---------------|-------|----------------------------|-------------------|-------|----------------------------|---------------|-------|----------------------------|
| | Low | High | Effective Weighted Average | Low | High | Effective Weighted Average | Low | High | Effective Weighted Average |
| Apartments | 3.00% | 7.00% | 4.38% | 3.00% | 7.00% | 4.41% | 3.00% | 7.00% | 4.44% |
| MHCs | 5.00% | 6.50% | 5.59% | 5.00% | 6.50% | 5.59% | 5.00% | 6.50% | 5.63% |

Killam's weighted average cap-rates for its apartment and MHC portfolios as at June 30, 2022, were 4.38% and 5.59%, a decrease of 3 bps for apartments and consistent with the rate for MHCs compared to December 31, 2021. The slight decrease in average cap-rates for apartments is due to recently completed acquisitions and developments. Killam did not move estimated cap-rates on properties within its portfolio during the second quarter but will continue to review transactions and market data in the second half of the year.

Fair Value Sensitivity

The following table summarizes the impact of changes in capitalization rates and stabilized NOI on the fair value of Killam's investment properties:

| | Change in Stabilized NOI ⁽¹⁾ | | | | |
|--------------------------------------|---|-------------|-------------|-------------|-------------|
| | (2.00)% | (1.00)% | — % | 1.00% | 2.00% |
| (1.00)% | \$1,201,469 | \$1,260,300 | \$1,319,130 | \$1,377,961 | \$1,436,791 |
| (0.75)% | \$812,529 | \$867,390 | \$922,252 | \$977,114 | \$1,031,975 |
| (0.50)% | \$473,015 | \$524,412 | \$575,809 | \$627,206 | \$678,604 |
| (0.25)% | 174,037 | 222,384 | 270,730 | 319,077 | 367,423 |
| Change in Capitalization Rate | —% | (91,278) | (45,639) | — | 45,639 |
| | 0.25% | (328,331) | (285,111) | (241,891) | (198,671) |
| | 0.50% | (541,423) | (500,377) | (459,331) | (418,285) |
| | 0.75% | (734,021) | (694,941) | (655,860) | (616,779) |
| | 1.00% | (908,955) | (871,659) | (834,364) | (797,068) |

⁽¹⁾ Includes Killam's apartment and MHC portfolios, which are valued using the direct income capitalization method, and commercial assets valued using a discounted cash flow approach.

Q2-2022 Management's Discussion and Analysis

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

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 |
| 1358 & 1360 Hollis Street | Halifax, NS | 03-Apr-22 | 100% | Apartment | 27 | 6,200 |
| 665 & 671 Woolwich Street ⁽³⁾ | Guelph, ON | 29-Apr-22 | 100% | Apartment/Development Land | 84 | 25,000 |
| 621 Crown Isle Blvd | Courtenay, BC | 18-May-22 | 100% | Apartment | 56 | 21,900 |
| 1876 & 1849 Riverside Lane | Courtenay, BC | 18-May-22 | 100% | Apartment | 94 | 33,700 |
| Total Acquisitions | | | | | | \$116,050 |

(1) Purchase price does not include transaction costs.

(2) Property has in-place income acquired for future development potential located adjacent to Killam's Northfield Gardens complex in Waterloo.

(3) Property has an existing 84-unit apartment building and an adjacent parcel of land 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 that 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 acres located adjacent to Killam's 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.

1358 & 1360 Hollis Street

On April 3, 2022, Killam acquired a 27-unit apartment property in Halifax, NS, for \$6.2 million.

665 & 671 Woolwich Street

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

621 Crown Isle Blvd

On May 18, 2022, Killam acquired a 56-unit apartment property in Courtenay, BC, for \$21.9 million.

1876 & 1849 Riverside Lane

On May 18, 2022, Killam acquired two, four-storey buildings totalling 94 units in Courtenay, BC, for \$33.7 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 88% leased.

The Kay

The Kay, containing 128 units, broke ground during Q3-2019 and opened to tenants on April 1, 2022. The total expected final cost is \$60.9 million. Since initial acquisition of the land for development, Killam has recognized \$12.5 million in fair value gains. The Kay reached substantial completion in May 2022, and is currently fully leased.

Q2-2022 Management's Discussion and Analysis

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

Investment Properties Under Construction

As at

| | June 30, 2022 | December 31, 2021 | % Change |
|-------------------------------------|------------------|-------------------|----------|
| Balance, beginning of period | \$201,319 | \$128,100 | 57.2% |
| Fair value adjustment | 5,629 | 11,097 | (49.3)% |
| Capital expenditures | 43,426 | 73,005 | (40.5)% |
| Interest capitalized | 1,195 | 2,239 | (46.6)% |
| Transfer to investment properties | (125,411) | (17,254) | 626.9% |
| Transfer to residential inventory | (3,073) | — | N/A |
| Transfer from land for development | 21,710 | 4,132 | 425.4% |
| Balance, end of period | \$144,795 | \$201,319 | (28.1)% |

Land for Development

As at

| | June 30, 2022 | December 31, 2021 | % Change |
|-------------------------------------|-----------------|-------------------|----------|
| Balance, beginning of period | \$55,528 | \$43,620 | 27.3% |
| Capital expenditures | 1,086 | 1,905 | (43.0)% |
| Interest capitalized | 477 | 820 | (41.8)% |
| Acquisitions | 4,000 | 13,315 | (70.0)% |
| Transfer to apartments | (1,394) | — | N/A |
| Transfer to IPUC | (21,710) | (4,132) | (425.4)% |
| Balance, end of period | \$37,987 | \$55,528 | (31.6)% |

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 |
|-------------------------------|---------------|-----------|--------------------------------|---------------------------|------------|----------------------|----------------------------|
| Luma | Ottawa, ON | 50% | 84 | \$48.0 | 2019 | Q3-2022 | 4.00% - 4.25% |
| Governor | Halifax, NS | 100% | 12 | \$24.3 | 2021 | Q4-2022 | 4.00% - 4.25% |
| Civic 66 | Kitchener, ON | 100% | 169 | \$69.7 | 2020 | Q1-2023 | 4.75% - 5.00% |
| The Carrick | Waterloo, ON | 100% | 139 | \$83.5 | Q2-2022 | 2024 | 4.00% - 4.25% |
| Total⁽²⁾⁽³⁾ | | | 404 | \$225.5 | | | |

(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 which are expected to occur in late 2023.

(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 the second half of 2022. The investment in townhouses was transferred from IPUC to residential inventory during the quarter.

Luma

Luma, containing 168 units, broke ground in Q3-2019 and opened to tenants in June 2022. This property is being completed and opened in phases and will be substantially completed in the third quarter. The total expected final cost is \$96.0 million (\$48.0 million for Killam's 50% interest). Since initial acquisition of the land for development, Killam has recognized \$0.3 million in fair value gains. Luma is currently 38% leased.

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 \$24.3 million. Construction financing is in place, with the first draw expected to occur in Q3-2022, and the project is expected to be completed before the end of the year.

Q2-2022 Management's Discussion and Analysis

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. To date, fair value gains of \$6.2 million have been recorded related to this property.

The Carrick

The Carrick, the first phase of a multi-phase project located next to Killam's Westmount Place property in Waterloo, ON, broke ground in Q2-2022. This 139-unit project is expected to be completed in 2024 and has a development budget of \$83.5 million.

Future Development Pipeline

Killam has a development pipeline, with almost 70% of the future projects located outside of Atlantic Canada. Killam targets yields 50–150 bps higher than the expected market cap-rate on completion. 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 |
|--|-------------------|-------------------|---|---------------------------------|------------------------------|
| <u>Developments expected to start in 2023</u> | | | | | |
| Eventide & Aurora | Halifax, NS | 100% | 120 | Final planning approval pending | 2025 |
| <u>Developments expected to start in 2024–2026</u> | | | | | |
| Stratford Land | Charlottetown, PE | 100% | 100 | In design | 2025 |
| Sherwood Crossing | Charlottetown, PE | 100% | 325 | In 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 |
| Medical Arts | Halifax, NS | 100% | 200 | Concept design | 2027 |
| <u>Additional future development projects</u> | | | | | |
| Nolan Hill Phase 4 ⁽²⁾ | Calgary, AB | 10% | 200 | Future development | TBD |
| 671 Woolwich St. | Guelph, ON | 100% | 150 | 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 | | | 4,227 | | |

(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.

Q2-2022 Management's Discussion and Analysis

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 and six months ended June 30, 2022, Killam invested \$21.2 million and \$33.2 million, an increase of 26.4% and 19.7% compared to the same periods in 2021. These increases relate 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 June 30, | | | Six months ended June 30, | | |
|------------|-----------------------------|----------|----------|---------------------------|----------|----------|
| | 2022 | 2021 | % Change | 2022 | 2021 | % Change |
| Apartments | \$18,110 | \$14,294 | 26.7% | \$29,052 | \$24,812 | 17.1% |
| MHCs | 1,344 | 1,557 | (13.7)% | 2,055 | 2,018 | 1.8% |
| Commercial | 1,706 | 885 | 92.8% | 2,142 | 942 | 127.4% |
| | \$21,160 | \$16,736 | 26.4% | \$33,249 | \$27,772 | 19.7% |

Apartments – Capital Investment

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

| | Three months ended June 30, | | | Six months ended June 30, | | |
|--|-----------------------------|----------|----------|---------------------------|----------|----------|
| | 2022 | 2021 | % Change | 2022 | 2021 | % Change |
| Suite renovations and repositionings | \$6,098 | \$8,276 | (26.3)% | \$12,071 | \$12,772 | (5.5)% |
| Building improvements | 8,383 | 4,577 | 83.2% | 10,587 | 9,175 | 15.4% |
| Appliances | 1,096 | 914 | 19.9% | 2,116 | 1,805 | 17.2% |
| Energy | 1,820 | 360 | 405.6% | 2,884 | 740 | 289.7% |
| Common area | 713 | 167 | 326.9% | 1,394 | 320 | 335.6% |
| Total capital invested | \$18,110 | \$14,294 | 26.7% | \$29,052 | \$24,812 | 17.1% |
| Average number of units outstanding ⁽¹⁾ | 18,696 | 16,902 | 10.6% | 18,511 | 16,845 | 9.9% |
| Capital invested – \$ per unit | \$969 | \$846 | 14.5% | \$1,569 | \$1,473 | 6.5% |

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

Killam invested \$969 and \$1,569 per unit for the three and six months ended June 30, 2022, compared to \$846 and \$1,473 per unit for the same periods in 2021. Killam's focus on development and acquisition of newer properties translates into a lower capital investment per unit. 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 \$6.1 million and \$12.1 million in suite renovations during the three and six months ended June 30, 2022, a 26.3% and 5.5% decrease over the total investment of \$8.3 million and \$12.8 million for the three and six months ended June 30, 2021. This decrease is due to timing. Killam has continued to focus on renovations in order to maximize occupancy and rental growth. Killam targets a minimum ROI of 10% for its unit renovations. 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. Year-to-date, Killam repositioned 310 units, with an average investment of approximately \$29,719 per suite. This generated an average ROI of 13.1%, compared to 287 units in the first half of 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 annualized revenue, representing an approximate \$325.0 million increase in NAV.

Q2-2022 Management's Discussion and Analysis

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 increase in building investments for the six months ended June 30, 2022, relates 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 Q2-2022, Killam invested an additional \$0.7 million in building insulation, \$0.5 million in new boilers, as well as electric vehicle chargers and new heat pumps in various buildings across the portfolio.

MHCs – Capital Investment

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

| | Three months ended June 30, | | | Six months ended June 30, | | |
|--------------------------------------|-----------------------------|---------|----------|---------------------------|---------|----------|
| | 2022 | 2021 | % Change | 2022 | 2021 | % Change |
| Water and sewer upgrades | \$188 | \$290 | (35.2)% | \$424 | \$500 | (15.2)% |
| Site expansion and land improvements | 444 | 297 | 49.5% | 428 | 346 | 23.7% |
| Other | 598 | 677 | (11.7)% | 776 | 822 | (5.6)% |
| Roads and paving | 49 | 197 | 100.0% | 337 | 226 | 49.1% |
| Equipment | 65 | 96 | 100.0% | 90 | 124 | (27.4)% |
| Total capital invested – MHCs | \$1,344 | \$1,557 | (13.7)% | \$2,055 | \$2,018 | 1.8% |
| Average number of sites | 5,875 | 5,875 | —% | 5,875 | 5,875 | —% |
| Capital invested – \$ per site | \$229 | \$265 | (13.6)% | \$350 | \$343 | 2.0% |

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 and six months ended June 30, 2022, was \$1.3 million and \$2.1 million, compared to \$1.6 million and \$2.0 million for the same periods in 2021. Year-to-date 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 and six months ended June 30, 2022, Killam invested \$1.7 million and \$2.1 million in its commercial portfolio, compared to \$0.9 million for the three and six months ended June 30, 2021. These investments relate to property upgrades and tenant improvements for new leasing opportunities at Killam's three stand-alone commercial properties; The Brewery, Westmount Place and Royalty Crossing. The timing of capital investment will vary based on tenant turnover.

Q2-2022 Management's Discussion and Analysis

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

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 and six months ended June 30, 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 June 30, | | | Six months ended June 30, | | |
|---|-----------------------------|----------|----------|---------------------------|----------|----------|
| | 2022 | 2021 | % Change | 2022 | 2021 | % Change |
| Distributions declared on trust units | \$20,448 | \$18,520 | 10.4% | \$40,569 | \$36,286 | 11.8% |
| Distributions declared on exchangeable units | 701 | 681 | 2.9% | 1,401 | 1,378 | 1.7% |
| Distributions declared on awards outstanding under RTU Plan | 66 | 59 | 11.9% | 135 | 119 | 13.4% |
| Total distributions declared | \$21,215 | \$19,260 | 10.2% | \$42,105 | \$37,783 | 11.4% |
| Less: | | | | | | |
| Distributions on trust units reinvested | (6,206) | (6,308) | (1.6)% | (12,619) | (12,290) | 2.7% |
| Distributions on RTUs reinvested | (66) | (59) | 11.9% | (135) | (119) | 13.4% |
| Net distributions paid | \$14,943 | \$12,893 | 15.9% | \$29,351 | \$25,374 | 15.7% |
| Percentage of distributions reinvested | 29.6% | 33.1% | | 30.3% | 32.8% | |

Normal Course Issuer Bid

In May 2022, Killam announced that the Toronto Stock Exchange (the "TSX") had accepted Killam's notice of intention to make a normal course issuer bid for its Trust Units. Under the normal course issuer bid, Killam may acquire up to 3,000,000 Trust Units commencing on June 2, 2022, and ending on June 1, 2023. All purchases of Trust Units are made through the facilities of the TSX at the market price of the Trust Units at the time of acquisition. Daily repurchases by Killam are limited to 53,703 Trust Units, other than block purchase exemptions. Any Units acquired will be cancelled.

Q2-2022 Management's Discussion and Analysis

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

PART VIII

Summary of Selected Consolidated Quarterly Results

| | Q2-2022 | Q1-2022 | Q4-2021 | Q3-2021 | Q2-2021 | Q1-2021 | Q4-2020 | Q3-2020 |
|---|-----------------|----------|----------|----------|-----------|----------|----------|----------|
| Property revenue | \$81,548 | \$77,464 | \$76,998 | \$76,244 | \$70,300 | \$67,374 | \$66,845 | \$66,653 |
| NOI | \$51,685 | \$45,263 | \$47,921 | \$50,455 | \$44,596 | \$40,263 | \$41,702 | \$43,198 |
| Net income | \$68,716 | \$60,027 | \$74,801 | \$46,634 | \$136,672 | \$27,422 | \$48,563 | \$37,465 |
| FFO | \$34,078 | \$28,665 | \$30,514 | \$34,246 | \$29,369 | \$25,107 | \$26,537 | \$28,512 |
| FFO per unit – diluted | \$0.28 | \$0.24 | \$0.27 | \$0.30 | \$0.27 | \$0.23 | \$0.25 | \$0.27 |
| AFFO | \$29,002 | \$23,739 | \$25,669 | \$29,510 | \$24,774 | \$20,486 | \$22,012 | \$24,099 |
| AFFO per unit – diluted | \$0.24 | \$0.20 | \$0.22 | \$0.26 | \$0.23 | \$0.19 | \$0.21 | \$0.23 |
| Weighted average units – diluted (000s) | 119,938 | 117,765 | 114,571 | 114,250 | 109,929 | 107,669 | 107,300 | 105,691 |

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 and six months ended June 30, 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 June 30, 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 the impact 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 June 30, 2022, in determining its estimates and the assumptions that affect the carrying amounts of assets, 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.

Q2-2022 Management's Discussion and Analysis

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

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 July 4, 2022, Killam acquired a 99-site MHC park in Amherst, NS, for \$2.5 million.

On July 15, 2022, Killam announced a distribution of \$0.05833 per unit, payable on August 15, 2022, to unitholders of record on July 30, 2022.