Q2-2021 Management's Discussion and Analysis

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

TABLE OF CONTENTS

PART I

Business Overview

Killam Apartment REIT ("Killam", the "Trust", or the "REIT"), based in Halifax, Nova Scotia (NS), is one of Canada's largest residential landlords, owning, operating, managing and developing a $4.2 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 thirteen projects to date, with a further five 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 88.9% of Killam's net operating income (NOI) for the six months ended June 30, 2021. As at June 30, 2021, Killam's apartment portfolio consisted of 18,169 units, including 968 units jointly owned with institutional partners. Killam's 216 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 residential landlord, owning a 13% total share of multi-family rental units in its core markets. Killam 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 6.1% of Killam's NOI for the six months ended June 30, 2021. Killam also owns 941,372 square feet (SF) of commercial space that accounted for 5.0% of Killam's NOI for the six months ended June 30, 2021.

Basis of Presentation

The following Management's Discussion and Analysis ("MD&A") has been prepared by Management and focuses on key statistics from the condensed consolidated interim financial statements and pertains to known risks and uncertainties. This MD&A should be read in conjunction with the Trust's audited consolidated financial statements for the years ended December 31, 2020 and 2019, 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 2020 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 4, 2021. This MD&A has been reviewed and approved by Management and the REIT's Board of Trustees.

Declaration of Trust

Killam's investment guidelines and operating policies are set out in Killam's Amended and Restated Declaration of Trust ("DOT") dated November 27, 2015, which is available on SEDAR. A summary of the guidelines and policies 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, 2021, Killam was in compliance with all investment guidelines and operating policies.

Forward-looking Statements

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" 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 the planned growth of the property portfolio, the expansion of the land portfolio for future developments, future acquisitions, including the amount expected to be spent on 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, 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 financial condition of Killam's tenants and the ability of Killam’s tenants to pay rent; the return to pre-pandemic employment levels; interest rate fluctuations; market values; impact on financial results including impacts relating to rental rate growth expectations and rent collection; 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; the estimated population 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 and the availability of capital to fund further investments in Killam's business.

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, duration and 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 heading "Risk Factors" in Killam's MD&A for the year ended December 31, 2020 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 this MD&A.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events 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.

Neither Killam nor any other person assumes responsibility for the accuracy and completeness of any forward-looking statement, and Killam assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events, circumstances, or such other factors that affect this information, except as required by 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 these non-IFRS financial measures are relevant measures of the ability of the REIT to earn revenue and to evaluate Killam's financial performance. The non-IFRS measures should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS, as indicators of Killam's performance, or sustainability of Killam's distributions. These measures do not have standardized meanings under IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded organizations.

- Funds from operations (FFO), and applicable per unit amounts, are calculated by Killam as net income adjusted for depreciation on an owner-occupied building, fair value gains (losses), interest expense related to exchangeable units, gains (losses) on disposition, deferred tax expense (recovery), unrealized gains (losses) on derivative liability, internal commercial leasing costs, 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 24.
- Adjusted funds from operations (AFFO), and applicable per unit amounts and payout ratios, are calculated by Killam as FFO less an allowance for maintenance capital expenditures ("capex") (a three-year rolling historical average capital spend 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 25.

- Adjusted cash flow from operations (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 26. ACFO is calculated in accordance with the REALPAC definition.
- Earnings before interest, tax, depreciation and amortization (EBITDA) is calculated by Killam as income before fair value adjustments, gains (losses) on disposition, income taxes, interest, depreciation and amortization.
- Interest coverage is calculated by dividing EBITDA by interest expense, less interest expense related to exchangeable units.
- Debt service coverage is calculated by dividing EBITDA by interest expense (less interest expense related to exchangeable units) and principal mortgage repayments.
- Debt to normalized EBITDA is calculated by dividing interest-bearing debt (net of cash) by EBITDA that has been adjusted for a full year of stabilized earnings from recently completed acquisitions and developments, on a forward looking basis.
- Same property results in relation to Killam are revenues and property operating expenses for stabilized properties that Killam has owned for equivalent periods in 2021 and 2020. For Killam's commercial portfolio same property NOI is presented on a cash basis, as it excludes straight-line rent. Same property results represent 87.4% of the fair value of Killam's investment property portfolio as at June 30, 2021. Excluded from same property results in 2021 are acquisitions, dispositions and developments completed in 2020 and 2021, non-stabilized commercial properties linked to development projects, and other adjustments to normalize for revenue or expense items that relate to prior periods or are not operational.

PART II
Key Performance Indicators

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

1) FFO per Unit – A standard measure of earnings for real estate entities. Management is focused on growing FFO per unit.
2) AFFO per Unit – A standard measure of earnings for real estate entities. Management is focused on growing AFFO per unit.
3) Payout Ratio – Killam monitors its AFFO and ACFO payout ratios and targets lower payout ratios. The ACFO payout ratio is a measure to assess the sustainability of distributions. The AFFO payout ratio is used as a supplemental metric. Although Killam expects to sustain and grow distributions, the amount of distributions will depend on debt repayments and refinancings, capital investments, and other factors, 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 and dispositions, developments and other non-same property operating adjustments.
5) Occupancy – Management is focused on maximizing occupancy while also managing the impact of higher rental rates. This measure is a percentage based on 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) Debt to Total Assets – Killam's primary measure of its leverage is debt as a percentage of total assets. Killam's DOT operating policies stipulate that overall indebtedness is not to exceed 70% of Gross Book Value. Debt to total assets is calculated by dividing total interest-bearing debt by total assets.
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 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 EBITDA ratio, the lower the credit risk.
11) Debt Service Coverage Ratio – A common measure of credit risk used by lenders, this measure considers Killam's ability to pay both interest and principal on outstanding debt. Generally, the higher the debt service coverage ratio, the lower the credit risk.
12) Interest Coverage Ratio – A common measure of credit risk used by lenders, this measure considers Killam's ability to pay interest on outstanding debt. Generally, the higher the interest coverage ratio, the lower the credit risk.

Financial and Operational Highlights

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

	Three months ended June 30,			Six months ended June 30,		
Operating Performance	**2021**	2020	Change (2)	**2021**	2020	Change (2)
Property revenue	**$70,300**	$64,899	8.3%	**$137,674**	$128,193	7.4%
Net operating income	**$44,596**	$41,318	7.9%	**$84,859**	$79,154	7.2%
Net income	**$136,672**	$21,509	535.4%	**$164,094**	$60,011	173.4%
FFO (1)	**$29,369**	$26,617	10.3%	**$54,475**	$49,630	9.8%
FFO per unit – diluted (1)	**$0.27**	$0.26	3.8%	**$0.50**	$0.48	4.2%
AFFO (1)	**$24,774**	$22,136	11.9%	**$45,260**	$40,705	11.2%
AFFO per unit – diluted (1)	**$0.23**	$0.22	4.5%	**$0.42**	$0.40	5.0%
Weighted average number of units outstanding – diluted (000s)	**109,929**	102,620	7.1%	**108,794**	102,489	6.2%
Distributions paid per unit (3)	**$0.17**	$0.17	—%	**$0.68**	$0.67	1.5%
AFFO payout ratio – diluted (1)	**75%**	79%	(400) bps	**82%**	85%	(300) bps
AFFO payout ratio – rolling 12 months (1)	**80%**	80%	– bps			
Portfolio Performance						
Same property NOI (1)	**$41,517**	$39,746	4.5%	**$79,376**	$76,636	3.6%
Same property NOI margin	**63.4%**	63.2%	20 bps	**61.6%**	61.3%	30 bps
Same property apartment occupancy	**96.9%**	96.7%	20 bps			
Same property apartment weighted average rental increase (4)	**3.1%**	3.5%	(40) bps			

As at	June 30, 2021	December 31, 2020	Change (2)
Leverage Ratios and Metrics			
Debt to total assets	**44.5%**	44.6%	(10) bps
Weighted average mortgage interest rate	**2.61%**	2.69%	(8) bps
Weighted average years to debt maturity	**4.3**	4.6	(0.3) years
Debt to normalized EBITDA (1)	**11.11x**	10.78x	3.1%
Debt service coverage (1)	**1.54x**	1.57x	(1.9)%
Interest coverage (1)	**3.44x**	3.36x	2.4%

(1) 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 standardized meanings and may not be comparable with other industries or entities (see "Non-IFRS Financial Measures").

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

(3) The Board of Trustees approved a 3.0% increase in Killam's distribution on an annualized basis to $0.68 per unit effective for the March 2020 distribution.

(4) Year over year, as at June 30.

Summary of Q2-2021 Results and Operations

Achieved Net Income of $136.7 Million

Killam earned net income of $136.7 million in Q2-2021, compared to $21.5 million in Q2-2020. The increase in net income is primarily attributable to growth through acquisitions and completed developments and increased earnings from the existing portfolio as well as fair value gains on investment properties driven by cap-rate compression.

FFO per Unit Growth of 3.8% and AFFO per Unit Growth of 4.5%

Killam generated FFO per unit of $0.27 in Q2-2021, 3.8% higher than $0.26 per unit generated in Q2-2020. AFFO per unit increased 4.5% in Q2-2021 to $0.23 compared to $0.22 in Q2-2020. FFO and AFFO growth was attributable to increased NOI from strong same property performance and incremental contributions from recent acquisitions and completed developments. This growth was partially offset by a 7.1% increase in the weighted average number of units outstanding.

Strong Same Property NOI Growth of 4.5%
Killam achieved 4.5% growth in same property consolidated NOI and a 20 bps improvement in its operating margin during the quarter. This improvement was driven by 4.0% growth in same property revenue, partially offset by operating expense growth. A 3.1% increase in apartment rental rates and higher occupancy drove overall revenue growth. Operating expenses increased 3.3% as higher general operating expenses were partially offset by lower property tax expense and relatively flat utility costs.

Killam's same property apartment NOI increased 2.9% during Q2-2021, with St. John's and New Brunswick leading the growth (6.2% and 5.0%). MHC same property NOI, which accounts for 6.1% of total NOI, generated 11.4% growth from increased seasonal operations as COVID-19 related restrictions were reduced. Commercial same property NOI, which accounts for 5.0% of total NOI, generated 22.8% growth in the quarter as a result of higher occupancy as well as lower bad debt expense and rent abatement related to COVID-19.

Rental Rate Growth on Unit Turns and Repositions
Same property rental rates were up 3.1% as at June 30, 2021 versus June 30, 2020. Demand remains strong for units on turnover with Killam achieving 7.4% rental rate growth on unit turns and repositionings during the quarter. Lower rental rate increases on renewals were a consequence of provincial restrictions as a result of COVID-19. Overall, same property apartment revenue growth during the quarter was up 3.5%, with Halifax, New Brunswick and St. John's leading apartment performance, achieving apartment revenue increases of 4.8%, 4.4%, and 4.0%, respectively.

Expanded Geographic Diversification with $190.5 Million Acquired in Kitchener-Waterloo
During Q2-2021, Killam acquired 785 units in Kitchener-Waterloo, ON, for $190.5 million. This acquisition builds on Killam’s existing presence in the Kitchener-Waterloo-Cambridge (KWC) market and aligns with Killam’s strategic goals of accretive growth and geographic diversification. This portfolio has opportunity for suite repositionings, modern upgrades and energy efficiencies to further accelerate NOI growth. Also during the quarter, Killam acquired an additional 25% ownership interest in Charlottetown Mall for $10.1 million and a 40-unit apartment building in St. John's, NL for $4.2 million.

Substantial Development Activity Underway and Strong Contributions from Recent Completions
Killam continues to advance its development pipeline with five active developments underway, totalling 685 units (497 units representing Killam's percentage ownership) for an expected total investment of $324.3 million (Killam's investment $236.5 million). Year-to-date Killam has invested $34.9 million in active development projects.

Killam's three recently completed developments totalling 349 units, being Nolan Hill, Shorefront and 10 Harley, continue to lease up quickly and contributed $0.3 million in FFO growth during Q2-2021. These developments are fully leased and are expected to contribute FFO of over $3.0 million on an annualized basis.

Cap-rate Compression and NOI Growth Support $134 Million Fair Value Gain
Killam recorded $134.1 million in fair value gains related to its investment properties in Q2-2021 supported by cap-rate compression in Victoria, Ontario and Halifax, and robust NOI growth driven by improved rental rates and strong apartment fundamentals. Killam's weighted average cap-rate for its apartment portfolio as at June 30, 2021, was 4.44%, a 23 bps improvement from December 31, 2020.

Lower Interest Rates Contribute to Earnings Growth
Killam benefited from lower interest rates on mortgage refinancings completed during the quarter. Killam refinanced $14.4 million of maturing debt with $22.8 million of new debt at a weighted average interest rate of 1.95%, 69 bps lower than the weighted average interest rate of the maturing debt.

COVID-19 Impact on Operations
Since the onset of the global pandemic in March 2020, Killam has focused on ensuring the continued health and safety of its employees, tenants, stakeholders and communities. Killam's rent collection remains strong with rent collection rates above 99%. To date, the pandemic has not resulted in any material change to Killam’s operations or strategy. Details on Killam’s financial impact from COVID-19 are included in Killam’s 2020 Management Discussion and Analysis, available on SEDAR at www.sedar.com.

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

Strategic Targets

Growth in Same Property NOI	
2021 Target	Same property NOI growth over 2%, subject to COVID-19 related restrictions being lifted by Q3-2021.
2021 Performance to-date	Killam achieved same property NOI growth of 3.6% for the six months ended June 30, 2021. Growth is attributable to increased rental rates and occupancy, and modest expense growth. Given the strength in the apartment segment and increasing occupancy, Killam expects same property NOI growth to exceed 3.5% in 2021.

Expanded Portfolio	
2021 Target	Complete a minimum of $100 million in acquisitions.
2021 Performance to-date	Killam has exceeded this goal, completing $271.4 million in acquisitions year-to-date. Killam will continue to look for acquisition opportunities throughout the remainder of the year.

Geographic Diversification	
2021 Target	Earn at least 32% of 2021 NOI outside Atlantic Canada.
2021 Performance to-date	Killam is on track to meet this target, with 31.8% of NOI generated outside Atlantic Canada in the first half of 2021. The lease-up of the 233-unit Nolan Hill property and the newly acquired Kitchener-Waterloo portfolio will further augment NOI generated outside of Atlantic Canada in the second half of 2021.

Development of High-quality Properties	
2021 Target	To complete the construction of two buildings totalling 166 units and break ground on two additional developments totalling a minimum of 150 units.
2021 Performance to-date	The 10 Harley development reached substantial completion in March 2021, and the Governor broke ground at the beginning of 2021. The 128-unit development, The Kay, is on schedule to be completed in Q4-2021. Killam expects to break ground on the first phase of its Westmount Place apartment development in Q4-2021.

Strengthened Balance Sheet	
2021 Target	Maintain debt as a percentage of assets ratio below 47%.
2021 Performance to-date	Debt as a percentage of total assets was 44.5% as at June 30, 2021.

Sustainability	
2021 Target	Minimum investment of $5.0 million in energy initiatives in 2021 to reduce Killam's carbon footprint and increase sustainability.
2021 Performance to-date	Year-to-date Killam has invested $0.7 million on energy projects, including solar array installations and boiler upgrades and has an additional $3.4 million in approved projects that are expected to be completed early in the second half of the year.

Outlook

Demand for Apartments Remains Strong

Management is able to move market rents higher as vacant units are released across the majority of its portfolio, which is expected to lead to continued top-line growth. Although for renewals this growth is tempered by a government-imposed rental rate freeze in Ontario and a cap of 2% in Halifax until NS's state of emergency is removed, stronger occupancy is expected to more than mitigate this impact of temporary rent controls. Looking out to 2022, Management expects COVID-19 related rent freezes to be removed. Despite ongoing pandemic restrictions, Killam is seeing strong demand for rental units and is encouraged by many universities expecting to have in-person classes this fall, which is further supporting demand for those Killam properties that are student focused. Canada's increased immigration target of 1.2 million new permanent residents from 2021 to 2023 is also expected to support strong demand for apartments.

A Focus on Affordable Housing

Killam has continued to increase its affordable housing initiatives, most recently adding 78 units with rents at 70% of market rate to its portfolio through CMHC's Rental Construction Financing initiative (RCFi). A National Housing Strategy program that supports rental housing construction projects to encourage a stable supply of rental housing for middle-class families across Canada.

This brings Killam's total number of affordable units to 828 units or approximately 5% of its apartment portfolio. Killam is committed to continuing to increase its number of affordable units, setting a goal of increasing the current number of affordable apartment units by 20% by 2025. Killam's MHC portfolio also provides an affordable living alternative for a single-family home, with average rent of $260 per site.

Growth through Accretive Developments
Development remains an important component of Killam's growth strategy. Killam currently has five developments underway, for a total of 497 apartment units at a total cost of approximately $236.5 million and an expected weighted average yield in the range of 4.5% - 5.0%. The majority of the capital required for these developments is being funded through construction loans. In addition, Killam has over 4,000 units in its pipeline for future development. The completion and stabilization of these existing developments underway are expected to contribute positively to Killam's future FFO per unit growth. Developments completed in the past two years have contributed $16.9 million in fair value gains.

Continued Expansion of Suite Repositioning Program
Management is committed to its suite repositioning program. Following the success of 2020's program of 495 suite repositionings, Management has expanded the program further in 2021, targeting 550 repositions. In addition, Killam is improving efficiencies and targeting improved performance metrics, including the percentage of repositionings completed in 28 days. Suite repositionings represent unit upgrades above $10,000 and Killam targets a return on investment (ROI) of at least 10%. The recent 785-unit acquisition in Kitchener-Waterloo has increased Killam's repositioning potential to a minimum of 5,500 units. Killam has been able to mitigate construction cost increases through the use of bulk purchasing of renovation products as well as the use of in-house labour.

Investments in Energy Efficiency Programs to Reduce CO_2 Emissions and Mitigate Rising Operating Costs
Investments in energy and water-saving initiatives, and operational efficiencies, are expected to continue to reduce Killam's energy consumption and help offset rising operating costs, including property taxes and insurance. Management is planning to invest a minimum of $5.0 million in new efficiency projects in 2021, including increased investment in photo-voltaic solar panels and boiler efficiency upgrades. These projects should contribute to same property NOI growth by lowering consumption and improving Killam's sustainability metrics.

Interest Expense Savings on Refinancings
Killam's mortgage financings and renewals progressed on schedule in Q2-2021, in terms of both timing and upfinancing opportunities. Looking forward, with $104.4 million in mortgages maturing throughout the remainder of 2021, Management expects to upfinance in the range of $35.0 - $40.0 million of cash and, based on current interest rates, reduce its overall weighted average interest rate.

Well-positioned for Future Acquisitions
Following the May 2021 $109.3 million equity raise and $206.1 million of acquisitions during Q2, Killam finished the quarter with acquisition capacity over $250 million. Management remains focused on growing its portfolio in Ontario and Western Canada and is actively looking for acquisition opportunities in these markets.

Commitment to Environmental, Social and Governance (ESG)
Killam recognizes the ESG principles as a vital component to Killam's long-term strategy and success. In Killam's 2020 ESG Report issued on April 1, 2021, Management committed to ambitious but realistic medium-term ESG targets to work towards. These goals aim to mitigate Killam's carbon footprint, maintain good corporate citizenship and create long-term value for its stakeholders.

<u>Environmental</u>

- Reduce GHG emissions by 15% by 2025 (Scope 1 and 2 emissions from 2020 levels).
- Produce a minimum of 10% of electricity through renewable energy sources by 2025.
- Pursue building certifications across a minimum of 20% of Killam's portfolio by 2025.

<u>Social</u>

- Increase employee volunteer hours by 25% by 2025.
- Increase number of affordable housing units by 20% by 2025.
- Maintain resident satisfaction score above 85% annually.

<u>Governance</u>

- Continue to participate in GRESB survey annually, targeting a minimum increase of 5% each year to reach GRESB 4 Star ranking by 2025 and continue to expand ESG disclosure.
- Increase the diversity of employees, including a 25% increased representation of employees who identify as racialized, as persons with a disability, and as LGBTQ2+ by 2025.

ESG disclosure continues to evolve and Killam currently reports its material ESG factors in accordance with the Global Reporting Initiative (GRI) Standards (core), the Sustainability Accounting Standards Board (SASB) standards, and the Task Force for Climate-related Financial Disclosure (TCFD) framework. Killam's greenhouse gas emissions and associated energy data is externally verified annually and Killam participates in several ESG rating and benchmark submissions, including GRESB.

Killam is also scoping out its long-term carbon emission targets and developing a plan to move to net-zero carbon emissions and will disclose details as technology and innovation evolve. Further details on the progress of Killam's ESG performance are disclosed in its 2020 ESG Report.

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, 2021:

Apartment Portfolio				
	Units (1)	Number of Properties	NOI ($) (2)	NOI (2) (% of Total)
Nova Scotia				
Halifax	5,813	65	$28,185	33.2%
Sydney	139	2	$559	0.7%
	5,952	67	$28,744	33.9%
New Brunswick				
Moncton	2,097	37	$7,467	8.8%
Fredericton	1,529	23	$5,937	7.0%
Saint John	1,202	14	$3,258	3.8%
Miramichi	96	1	$334	0.4%
	4,924	75	$16,996	20.0%
Ontario				
Ottawa	1,216	9	$5,238	6.1%
London	523	5	$2,699	3.2%
KWC-GTA	1,603	10	$5,843	6.9%
	3,342	24	$13,780	16.2%
Newfoundland & Labrador				
St. John's	955	13	$3,213	3.8%
Grand Falls	148	2	$355	0.4%
	1,103	15	$3,568	4.2%
Prince Edward Island				
Charlottetown	1,102	23	$3,716	4.4%
Summerside	86	2	$288	0.3%
	1,188	25	$4,004	4.7%
Alberta				
Calgary	764	4	$2,935	3.4%
Edmonton	579	4	$3,014	3.6%
	1,343	8	$5,949	7.0%
British Columbia				
Victoria	317	2	$2,426	2.9%
Total Apartments	**18,169**	**216**	**$75,467**	**88.9%**
Manufactured Home Community Portfolio				
	Sites	Communities	NOI ($) (2)	(% of Total)
Nova Scotia	2,749	17	$2,440	2.8%
Ontario	2,284	17	$2,538	3.0%
New Brunswick (4)	672	3	$54	0.1%
Newfoundland & Labrador	170	2	$201	0.2%
Total MHCs	**5,875**	**39**	**$5,233**	**6.1%**
Commercial Portfolio (3)				
	Footage (5)	Properties	NOI ($) (2)	(% of Total)
Prince Edward Island (5)	383,222	1	$890	1.0%
Ontario	306,106	1	$2,318	2.8%
Nova Scotia (6)	218,829	5	$734	0.9%
New Brunswick	33,215	1	$217	0.3%
Total Commercial	**941,372**	**8**	**$4,159**	**5.0%**
Total Portfolio		**263**	**$84,859**	**100.0%**

(1) Unit count includes the total unit count of properties held through Killam's joint arrangements. Killam has a 50% ownership interest in two apartment properties in Ontario, representing a proportionate ownership of 484 units of the 968 units in these properties. Killam manages the operations of all the co-owned apartment properties.
(2) For the six months ended June 30, 2021.
(3) Killam also has 175,800 square feet of ancillary commercial space in various residential properties across the portfolio, which is included in apartment results.
(4) Killam's New Brunswick MHC communities have seasonal operations, which typically commence in mid-May and run through the end of October.
(5) Square footage represents 100% of the commercial property located in PEI. In Q2-2021, Killam acquired an additional 25% interest increasing its ownership percentage to 75%. Killam also took over property management for 100% of the asset.
(6) Square footage represents Killam's 50% ownership interest in two commercial properties as they are third-party managed and 100% for those which are wholly-owned.

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

PART IV

Q2-2021 Financial Overview

Consolidated Results

For the three months ended June 30,

	Total Portfolio			Same Property		
	2021	2020	% Change	**2021**	2020	% Change
Property revenue	**$70,300**	$64,899	8.3%	**$65,454**	$62,908	4.0%
Property operating expenses						
General operating expenses	**11,221**	9,774	14.8%	**10,389**	9,526	9.1%
Utility and fuel expenses	**5,964**	5,770	3.4%	**5,703**	5,690	0.2%
Property taxes	**8,519**	8,037	6.0%	**7,845**	7,946	(1.3)%
Total operating expenses	**$25,704**	$23,581	9.0%	**$23,937**	$23,162	3.3%
NOI	**$44,596**	$41,318	7.9%	**$41,517**	$39,746	4.5%
Operating margin %	**63.4%**	63.7%	(30) bps	**63.4%**	63.2%	20 bps

For the six months ended June 30,

	Total Portfolio			Same Property		
	2021	2020	% Change	**2021**	2020	% Change
Property revenue	**$137,674**	$128,193	7.4%	**$128,843**	$125,006	3.1%
Property operating expenses						
General operating expenses	**22,459**	19,928	12.7%	**20,936**	19,599	6.8%
Utility and fuel expenses	**13,223**	13,246	(0.2)%	**12,666**	13,088	(3.2)%
Property taxes	**17,133**	15,865	8.0%	**15,865**	15,683	1.2%
Total operating expenses	**$52,815**	$49,039	7.7%	**$49,467**	$48,370	2.3%
NOI	**$84,859**	$79,154	7.2%	**$79,376**	$76,636	3.6%
Operating margin %	**61.6%**	61.7%	(10) bps	**61.6%**	61.3%	30 bps

For the three and six months ended June 30, 2021, Killam achieved strong overall portfolio performance. Revenue grew 8.3% and 7.4%, partially offset by total operating expense increase of 9.0% and 7.7%, due to the increased size of Killam's overall portfolio as well as the fact property operating expenses were below historical norms in Q2-2020 with the onset of the COVID-19 pandemic. In aggregate, NOI increased 7.9% and 7.2% for the three and six months ended June 30, 2021.

Same property results include properties owned during comparable 2021 and 2020 periods. Same property results represent 87.4% of the fair value of Killam's investment property portfolio as at June 30, 2021. Non-same property results include acquisitions, dispositions and developments completed in 2020 and 2021 and commercial assets acquired for future residential development.

Same property revenue grew by 4.0% and 3.1% for three and six months ended June 30, 2021, as compared to the same periods of 2020. This growth was driven by a 20 bps increase in apartment occupancy, rental rate growth on unit turns, increased seasonal operations and growth in commercial revenues.

Total same property operating expenses increased 3.3% for the three months ended June 30, 2021. The increase for the quarter was largely driven by a 9.1% increase in general operating expenses and a modest a 0.2% increase in utility and fuel expenses. The increase in general operating expenses reflects a low comparative quarter in Q2-2020 when many expenses were reduced due to COVID-19 restrictions. These increases were offset by a 1.3% decrease in property taxes, driven primarily by lower taxes on Killam's commercial assets.

Total same property operating expenses increased 2.3% for the six months ended June 30, 2021, compared to the same period of 2020. The increase year to date was driven by a 6.8% increase in general operating expenses and a 1.2% increase in property taxes. These increases were partially offset by a 3.2% decrease in utility and fuel expenses as a result of reduced consumption from energy efficiency projects, decreases in natural gas pricing across Killam's two largest regions, warmer than average temperatures during the first quarter of the year, and a decrease in the inclusion of unit electricity as part of the monthly rent.

Overall, same property NOI grew by 4.5% and 3.6% for the three and six months ended June 30, 2021.

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

Apartment Results

For the three months ended June 30,

	Total			Same Property		
	2021	2020	% Change	**2021**	2020	% Change
Property revenue	**$61,296**	$56,618	8.3%	**$56,690**	$54,799	3.5%
Property operating expenses						
General operating expenses	**9,395**	8,111	15.8%	**8,695**	7,891	10.2%
Utility and fuel expenses	**5,484**	5,225	5.0%	**5,211**	5,156	1.1%
Property taxes	**7,541**	6,961	8.3%	**6,931**	6,901	0.4%
Total operating expenses	**$22,420**	$20,297	10.5%	**$20,837**	$19,948	4.5%
NOI	**$38,876**	$36,321	7.0%	**$35,853**	$34,851	2.9%
Operating margin %	**63.4%**	64.2%	(80) bps	**63.2%**	63.6%	(40) bps

For the six months ended June 30,

	Total			Same Property		
	2021	2020	% Change	**2021**	2020	% Change
Property revenue	**$121,228**	$112,708	7.6%	**$112,813**	$109,827	2.7%
Property operating expenses						
General operating expenses	**18,675**	16,486	13.3%	**17,301**	16,212	6.7%
Utility and fuel expenses	**12,003**	11,977	0.2%	**11,452**	11,845	(3.3)%
Property taxes	**15,083**	13,736	9.8%	**13,919**	13,620	2.2%
Total operating expenses	**$45,761**	$42,199	8.4%	**$42,672**	$41,677	2.4%
NOI	**$75,467**	$70,509	7.0%	**$70,141**	$68,150	2.9%
Operating margin %	**62.3%**	62.6%	(30) bps	**62.2%**	62.1%	10 bps

Apartment Revenue

Total apartment revenue for the three and six months ended June 30, 2021, was $61.3 million and $121.2 million, an increase of 8.3% and 7.6%, over the same periods of 2020. Revenue growth was augmented by contributions from recently acquired and developed properties and higher rental rates.

Same property apartment revenue increased 3.5% and 2.7% for the three and six months ended June 30, 2021, driven by increased rental rates, with New Brunswick achieving the strongest performance with rental rate growth of 4.2% compared to June 30, 2020. Increased occupancy also contributed to revenue growth, with a 20 bps increase during the quarter. Beginning with the onset of COVID-19, Killam experienced a slight decline in occupancy in most markets; however, Killam has seen a trend of increased occupancy to date in 2021. Killam's tenant base includes a diverse mix of tenants, including young professionals, seniors, empty nesters, families and students.

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

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

		Total Occupancy			Same Property Occupancy		
For the three months ended June 30,	# of Units	**2021**	2020	Change (bps)	**2021**	2020	Change (bps)
Nova Scotia							
Halifax	5,813	**98.1%**	97.8%	30	**98.1%**	97.8%	30
Ontario							
Ottawa	1,216	**93.8%**	94.2%	(40)	**93.8%**	94.2%	(40)
London	523	**96.0%**	95.0%	100	**96.0%**	95.0%	100
KWC-GTA	1,603	**98.8%**	98.5%	30	**98.9%**	98.6%	30
New Brunswick							
Moncton (2)	2,097	**96.7%**	98.7%	(200)	**98.2%**	98.7%	(50)
Fredericton	1,529	**98.2%**	97.9%	30	**98.2%**	97.9%	30
Saint John	1,202	**97.5%**	96.5%	100	**97.5%**	96.5%	100
Newfoundland and Labrador							
St. John's	955	**90.2%**	88.0%	220	**90.1%**	88.0%	210
Prince Edward Island							
Charlottetown (3)	1,102	**93.2%**	99.4%	(620)	**99.3%**	99.4%	(10)
Alberta							
Calgary (4)	764	**83.1%**	94.2%	(1,110)	**91.3%**	94.2%	(290)
Edmonton	579	**92.8%**	93.0%	(20)	**92.8%**	93.0%	(20)
British Columbia							
Victoria	317	**96.4%**	91.6%	480	**N/A**	N/A	N/A
Other Atlantic	469	**96.0%**	93.9%	210	**96.0%**	93.9%	210
Total Apartments (weighted average)	**18,169**	**95.9%**	96.5%	(60)	**96.9%**	96.7%	20

(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.

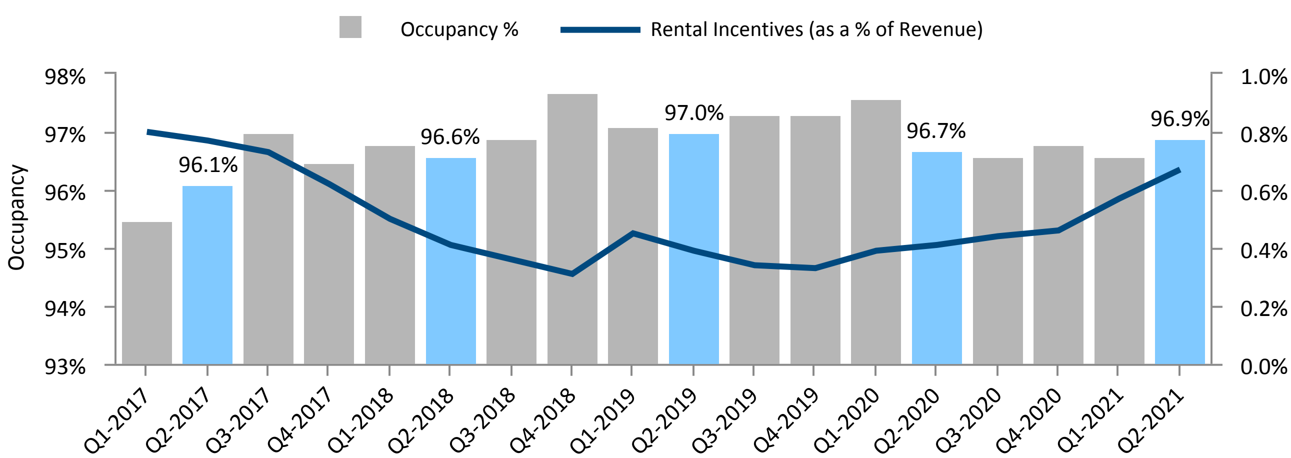
(2) Total occupancy for Moncton was impacted by the acquisition of a 162-unit apartment building in November 2020, which is undergoing initial lease-up.

(3) Total occupancy for Charlottetown was impacted by two recently completed developments, Shorefront, a 78-unit building, and 10 Harley, a 38-unit building, both which were undergoing initial lease-up during the first half of 2021.

(4) Total occupancy for Calgary was impacted by Nolan Hill, a recently acquired 233-unit property, which was undergoing initial lease-up during the first half of 2021.

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

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



Killam continued to see an uptick in rental incentives as a percentage of total revenue during Q2-2021, due primarily to its Alberta portfolio, which saw a 49% increase in rental incentives during the second quarter. Rental incentives were relatively flat across all other regions.

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

Average Rent Analysis by Core Market

As at June 30,

		Average Rent			Same Property Average Rent		
	# of Units	**2021**	2020	% Change	**2021**	2020	% Change
Nova Scotia							
Halifax	5,813	**$1,204**	$1,161	3.7%	**$1,204**	$1,161	3.7%
Ontario							
Ottawa	1,216	**$1,808**	$1,771	2.1%	**$1,808**	$1,771	2.1%
London	523	**$1,378**	$1,337	3.1%	**$1,378**	$1,337	3.1%
KWC-GTA (1)	1,603	**$1,396**	$1,518	(8.0)%	**$1,574**	$1,518	3.7%
New Brunswick							
Moncton (2)	2,097	**$1,058**	$942	12.3%	**$978**	$942	3.8%
Fredericton	1,529	**$1,083**	$1,035	4.6%	**$1,083**	$1,035	4.6%
Saint John	1,202	**$897**	$860	4.3%	**$897**	$860	4.3%
Newfoundland and Labrador							
St. John's	955	**$1,006**	$1,000	0.6%	**$1,013**	$1,000	1.3%
Prince Edward Island							
Charlottetown (3)	1,102	**$1,105**	$1,020	8.3%	**$1,031**	$1,020	1.1%
Alberta							
Calgary	764	**$1,291**	$1,254	3.0%	**$1,269**	$1,255	1.1%
Edmonton	579	**$1,478**	$1,478	—%	**$1,478**	$1,479	(0.1)%
British Columbia							
Victoria	317	**$1,753**	$1,718	2.0%	**N/A**	N/A	N/A
Other Atlantic	469	**$935**	$918	1.9%	**$935**	$918	1.9%
Total Apartments (weighted average)	**18,169**	**$1,202**	$1,154	4.2%	**$1,178**	$1,143	3.1%

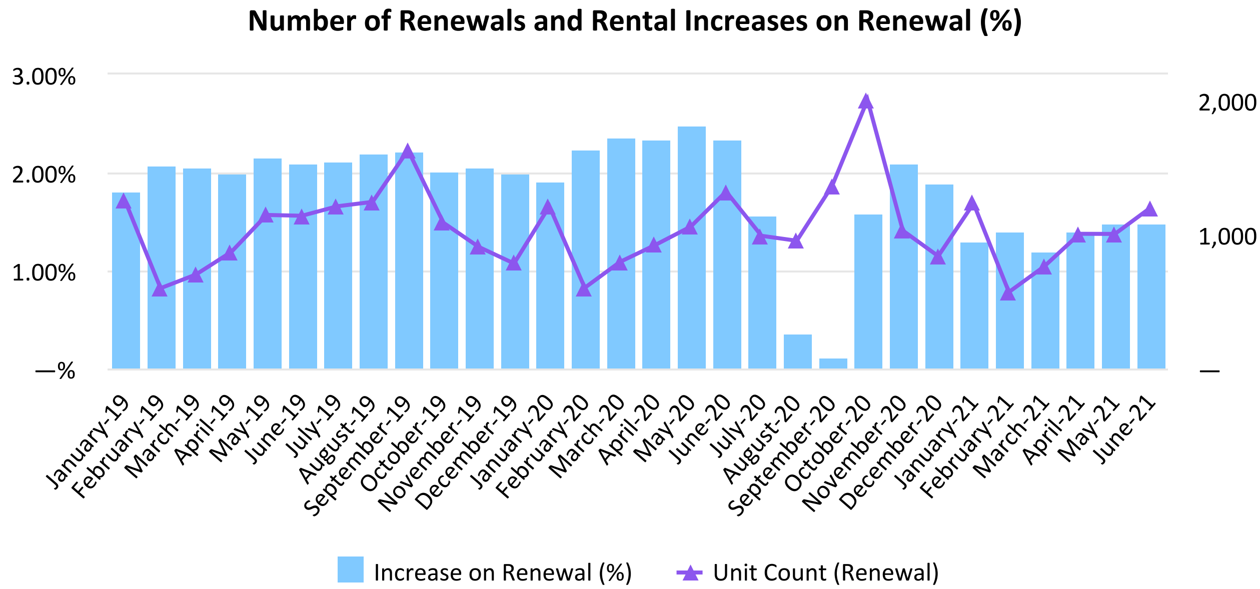
(1) The decline in the average net rent in the KWC-GTA region relates to the acquisition of a 785-unit portfolio in the region in Q2-2021.
(2) The higher than normal increase in average rent is a result of 162 newly constructed, larger condo-quality units.
(3) The higher than normal increase in average rent is a result of two recently completed developments, Shorefront and 10 Harley.

Same Property Rental Increases – Tenant Renewals versus Unit Turns

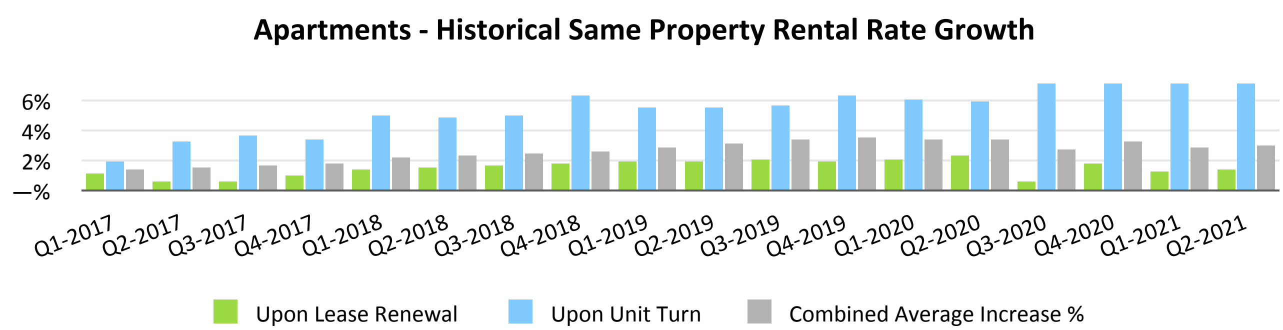
Killam typically turns approximately 30% to 32% of its units each year, with the trend declining in recent years, including 2020, where turnover levels were down 160 bps from 2019, at approximately 29%. Upon turn, Killam will typically generate rental increases by moving rental rates to market and, where market demand exists, by upgrading units for unlevered returns of 10%–15% on capital invested. Killam saw a 50 bps decline in its same property weighted average rental increase, to 3.0% on turns and renewals which came into effect during the first half of 2021, compared to the same period of 2020. The decline is primarily attributable to provincial rent restrictions for existing tenants in response to COVID-19, including a rent freeze in Ontario and a 2.0% rent cap in Nova Scotia. The chart below summarizes the rental increases earned during the three and six months ended June 30, 2021 and 2020.

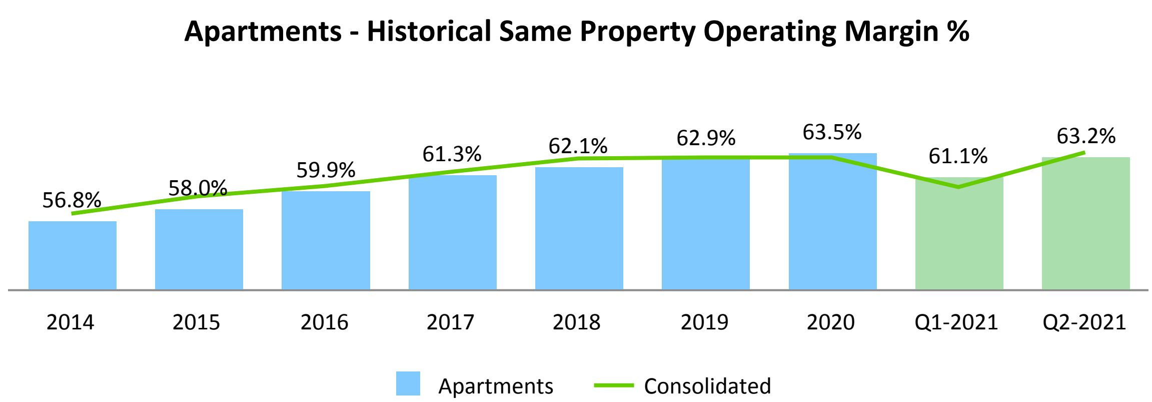
	For the three months ended June 30,				For the six months ended June 30,			
	2021		**2020**		**2021**		**2020**	
	Rental Increases	Turnovers & Renewals (1)	Rental Increases	Turnovers & Renewals (1)	Rental Increases	Turnovers & Renewals (1)	Rental Increases	Turnovers & Renewals (1)
Lease renewal	**1.5%**	**74.1%**	2.4%	80.4%	**1.4%**	**73.9%**	2.3%	80.0%
Unit turn – regular	**4.8%**	**22.5%**	5.9%	17.2%	**4.7%**	**22.5%**	6.0%	17.3%
Unit turn – repositioned (2)	**28.0%**	**3.4%**	28.8%	2.4%	**27.3%**	**3.5%**	28.6%	2.7%
Rental increase (weighted avg)	**3.1%**		3.5%		**3.0%**		3.5%	

(1) The percentage of total units renewed and turned during the three and six months ended June 30, 2021, was 24.1% and 43.3% (June 30, 2020 - 25.4% and 45.1%).
(2) The weighted average rental lift on the units repositioned is based on the 146 and 276 units re-leased during the three and six months ended June 30, 2021.



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





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

Apartment Expenses

Total operating expenses for the three and six months ended June 30, 2021, were $22.4 million and $45.8 million, a 10.5% and 8.4% increase over the same periods in 2020, due primarily to incremental costs associated with recent acquisitions and developments and operating expense increases. Total same property operating expenses increased by 4.5% and 2.4% for the three and six months ended June 30, 2021, also due to higher general operating expenses as a result of repairs and maintenance work being delayed in the same periods in 2020 due to COVID-19 related restrictions. For the six months ended June 30, 2021, utility and fuel expenses decreased 3.3%. Utility savings were attributable to lower natural gas rates, reduced consumption from energy efficiency initiatives and a mild winter.

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 10.2% and 6.7% for the three and six months ended June 30, 2021 was largely due to higher insurance premiums, timing of repairs and maintenance and salary costs in Q2-2020 due to COVID-19.

Same Property Utility and Fuel Expenses

	Three months ended June 30,			Six months ended June 30,		
	2021	2020	% Change	**2021**	2020	% Change
Natural gas	**$1,628**	$1,615	0.8%	**$3,999**	$4,172	(4.1)%
Electricity	**1,902**	1,963	(3.1)%	**3,964**	4,224	(6.2)%
Water	**1,423**	1,380	3.1%	**2,841**	2,788	1.9%
Oil & propane	**241**	180	33.9%	**614**	627	(2.1)%
Other	**17**	18	(5.6)%	**34**	34	—%
Total utility and fuel expenses	**$5,211**	$5,156	1.1%	**$11,452**	$11,845	(3.3)%

Killam’s apartments are heated with natural gas (58%), electricity (32%), oil (6%), steam (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 5,000 apartments heated with electricity. Fuel costs associated with central natural gas or oil-fired heating plants are paid by Killam.

Utility and fuel expenses accounted for approximately 25% and 27% of Killam’s total apartment same property operating expenses for the three and six months ended June 30, 2021. Total same property utility and fuel expenses increased 1.1% for the three months ended June 30, 2021. For the six months ended June 30, 2021 same property utility and fuel expenses decreased 3.3%.

Same property natural gas expense increased modestly by 0.8% for the three months ended June 30, 2021, as a result of higher gas prices in Nova Scotia and Ontario in the quarter. For the six months ended June 30, 2021 same property natural gas expense decreased 4.1%. The significant decrease in natural gas expense was primarily attributable to lower commodity price in New Brunswick and milder weather.

Electricity costs were 3.1% and 6.2% lower for the three and six months ended June 30, 2021, primarily due to consumption savings from LED lighting retrofits and warmer temperatures, more than offsetting rising rates, as well as a reduction of unit electricity being included as part of a tenant's monthly rent in certain regions given strong market fundamentals.

Heating oil and propane costs increased by 33.9% for the three months ended June 30, 2021, compared to the same period of 2020, as a result of a 38% increase in oil prices quarter-over-quarter. For the six months ended June 30, 2021 oil and propane costs decreased by 2.1% as a result of a milder winter coupled with increased efficiencies from boiler upgrades and switching to natural gas at certain properties.

Property Taxes

Same property property tax expense for the three and six months ended June 30, 2021 was $6.9 million and $13.9 million, a 0.4% and 2.2% increase from the same periods of 2020. Killam experienced property tax increases across the majority of its markets, however, these were offset by a number of successful property tax appeals resulting in refunds in the quarter. Killam actively reviews its property tax assessments and appeals tax assessment increases wherever possible to minimize this impact.

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

Apartment Same Property NOI by Region

Three months ended June 30,

	Property Revenue			Property Expenses			Net Operating Income		
	2021	2020	% Change	**2021**	2020	% Change	**2021**	2020	% Change
Nova Scotia									
Halifax	**$21,265**	$20,287	4.8%	**($7,344)**	($6,845)	7.3%	**$13,921**	$13,442	3.6%
	21,265	20,287	4.8%	**(7,344)**	(6,845)	7.3%	**13,921**	13,442	3.6%
Ontario									
Ottawa	**3,915**	3,843	1.9%	**(1,284)**	(1,266)	1.4%	**2,631**	2,577	2.1%
London	**2,086**	2,000	4.3%	**(716)**	(710)	0.8%	**1,370**	1,290	6.2%
KWC-GTA	**4,211**	4,088	3.0%	**(1,266)**	(1,281)	(1.2)%	**2,945**	2,807	4.9%
	10,212	9,931	2.8%	**(3,266)**	(3,257)	0.3%	**6,946**	6,674	4.1%
New Brunswick									
Moncton	**5,690**	5,519	3.1%	**(2,526)**	(2,470)	2.3%	**3,164**	3,049	3.8%
Fredericton	**5,045**	4,802	5.1%	**(2,022)**	(1,929)	4.8%	**3,023**	2,873	5.2%
Saint John	**3,257**	3,080	5.7%	**(1,526)**	(1,460)	4.5%	**1,731**	1,620	6.9%
	13,992	13,401	4.4%	**(6,074)**	(5,859)	3.7%	**7,918**	7,542	5.0%
Newfoundland & Labrador									
St. John's	**2,536**	2,439	4.0%	**(857)**	(858)	(0.1)%	**1,679**	1,581	6.2%
	2,536	2,439	4.0%	**(857)**	(858)	(0.1)%	**1,679**	1,581	6.2%
Prince Edward Island									
Charlottetown	**3,010**	2,973	1.2%	**(1,223)**	(1,112)	10.0%	**1,787**	1,861	(4.0)%
	3,010	2,973	1.2%	**(1,223)**	(1,112)	10.0%	**1,787**	1,861	(4.0)%
Alberta									
Calgary	**1,951**	2,041	(4.4)%	**(697)**	(670)	4.0%	**1,254**	1,371	(8.5)%
Edmonton	**2,368**	2,424	(2.3)%	**(826)**	(871)	(5.2)%	**1,542**	1,553	(0.7)%
	4,319	4,465	(3.3)%	**(1,523)**	(1,541)	(1.2)%	**2,796**	2,924	(4.4)%
Other Atlantic locations	**1,356**	1,303	4.1%	**(550)**	(476)	15.5%	**806**	827	(2.5)%
	$56,690	$54,799	3.5%	**($20,837)**	($19,948)	4.5%	**$35,853**	$34,851	2.9%

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

Six months ended June 30,

	Property Revenue			Property Expenses			Net Operating Income		
	2021	2020	% Change	**2021**	2020	% Change	**2021**	2020	% Change
Nova Scotia									
Halifax	**$42,173**	$40,697	3.6%	**($14,933)**	($14,425)	3.5%	**$27,240**	$26,272	3.7%
	42,173	40,697	3.6%	**(14,933)**	(14,425)	3.5%	**27,240**	26,272	3.7%
Ontario									
Ottawa	**7,813**	7,643	2.2%	**(2,571)**	(2,499)	2.9%	**5,242**	5,144	1.9%
London	**4,165**	4,054	2.7%	**(1,466)**	(1,429)	2.6%	**2,699**	2,625	2.8%
KWC-GTA	**8,394**	8,141	3.1%	**(2,632)**	(2,643)	(0.4)%	**5,762**	5,498	4.8%
	20,372	19,838	2.7%	**(6,669)**	(6,571)	1.5%	**13,703**	13,267	3.3%
New Brunswick									
Moncton	**11,323**	11,044	2.5%	**(5,076)**	(5,065)	0.2%	**6,247**	5,979	4.5%
Fredericton	**10,048**	9,603	4.6%	**(4,110)**	(4,001)	2.7%	**5,938**	5,602	6.0%
Saint John	**6,480**	6,158	5.2%	**(3,219)**	(3,155)	2.0%	**3,261**	3,003	8.6%
	27,851	26,805	3.9%	**(12,405)**	(12,221)	1.5%	**15,446**	14,584	5.9%
Newfoundland & Labrador									
St. John's	**5,005**	4,920	1.7%	**(1,775)**	(1,744)	1.8%	**3,230**	3,176	1.7%
	5,005	4,920	1.7%	**(1,775)**	(1,744)	1.8%	**3,230**	3,176	1.7%
Prince Edward Island									
Charlottetown	**6,024**	5,947	1.3%	**(2,574)**	(2,498)	3.0%	**3,450**	3,449	—%
	6,024	5,947	1.3%	**(2,574)**	(2,498)	3.0%	**3,450**	3,449	—%
Alberta									
Calgary	**3,945**	4,159	(5.1)%	**(1,449)**	(1,384)	4.7%	**2,496**	2,775	(10.1)%
Edmonton	**4,766**	4,843	(1.6)%	**(1,732)**	(1,822)	(4.9)%	**3,034**	3,021	0.4%
	8,711	9,002	(3.2)%	**(3,181)**	(3,206)	(0.8)%	**5,530**	5,796	(4.6)%
Other Atlantic locations	**2,677**	2,618	2.3%	**(1,135)**	(1,012)	12.2%	**1,542**	1,606	(4.0)%
	$112,813	$109,827	2.7%	**($42,672)**	($41,677)	2.4%	**$70,141**	$68,150	2.9%

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

MHC Results

For the three months ended June 30,

	Total Portfolio			Same Property		
	2021	2020	% Change	**2021**	2020	% Change
Property revenue	**$4,919**	$4,528	8.6%	**$4,837**	$4,459	8.5%
Property operating expenses	**1,410**	1,368	3.1%	**1,426**	1,398	2.0%
NOI	**$3,509**	$3,160	11.0%	**$3,411**	$3,061	11.4%
Operating margin %	**71.3%**	69.8%	150 bps	**70.5%**	68.6%	190 bps

For the six months ended June 30,

	Total Portfolio			Same Property		
	2021	2020	% Change	**2021**	2020	% Change
Property revenue	**$8,267**	$7,727	7.0%	**$8,111**	$7,646	6.1%
Property operating expenses	**3,034**	2,856	6.2%	**3,019**	2,922	3.3%
NOI	**$5,233**	$4,871	7.4%	**$5,092**	$4,724	7.8%
Operating margin %	**63.3%**	63.0%	30 bps	**62.8%**	61.8%	100 bps

The MHC business generated 6.1% of Killam's NOI for the six months ended June 30, 2021. 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 September. Overall, the MHC portfolio generated same property NOI growth of 11.4% and 7.8% for the three and six months ended June 30, 2021. This growth is attributable to increased seasonal revenue as all of the resort parks were able to open on time at capacity in 2021 as well as lower expenses across the MHC portfolio.

For the three months ended June 30,

	Property Revenue			Property Expenses			Net Operating Income		
	2021	2020	% Change	**2021**	2020	% Change	**2021**	2020	% Change
Permanent MHCs	**$3,005**	$2,936	2.4%	**($956)**	($993)	(3.7)%	**$2,049**	$1,943	5.5%
Seasonal Resorts	**1,832**	1,523	20.3%	**(470)**	(405)	16.0%	**1,362**	1,118	21.8%
	$4,837	$4,459	8.5%	**($1,426)**	($1,398)	2.0 %	**$3,411**	$3,061	11.4%

For the six months ended June 30,

	Property Revenue			Property Expenses			Net Operating Income		
	2021	2020	% Change	**2021**	2020	% Change	**2021**	2020	% Change
Permanent MHCs	**$5,990**	$5,842	2.5%	**($2,154)**	($2,170)	(0.7)%	**$3,836**	$3,672	4.5%
Seasonal Resorts	**2,121**	1,804	17.6%	**(865)**	(752)	15.0%	**1,256**	1,052	19.4%
	$8,111	$7,646	6.1%	**($3,019)**	($2,922)	3.3%	**$5,092**	$4,724	7.8%

For the three and six months ended June 30, 2021, same property permanent MHCs generated a 5.5% and 4.5% increase in NOI, with average rent increasing 1.8% in Q2-2021, to $279 per site compared to $274 per site in Q2-2020 and increased occupancy of 98.3%, compared to 97.7% in Q2-2020. Revenue and NOI growth is further augmented through MHC site expansions at many of Killam's parks.

Killam's seasonal resort portfolio achieved strong growth in Q2-2021 compared to Q2-2020 as the easing of COVID-19 restrictions supported increased activity at many of the communities. With COVID-19 inter-provincial travel restrictions still in place during most of Q2-2021, Killam's two New Brunswick communities operated below full capacity during that time.

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

Commercial Results

For the three months ended June 30,

	Total Portfolio			Same Property		
	2021	2020	% Change	**2021**	2020	% Change
Property revenue	**$4,085**	$3,753	8.8%	**$3,927**	$3,650	7.6%
Property operating expenses	**1,874**	1,916	(2.2)%	**1,674**	1,816	(7.8)%
NOI	**$2,211**	$1,837	20.4%	**$2,253**	$1,834	22.8%

For the six months ended June 30,

	Total Portfolio			Same Property		
	2021	2020	% Change	**2021**	2020	% Change
Property revenue	**$8,179**	$7,758	5.4%	**$7,919**	$7,533	5.1%
Property operating expenses	**4,020**	3,984	0.9%	**3,776**	3,771	0.1%
NOI	**$4,159**	$3,774	10.2%	**$4,143**	$3,762	10.1%

Killam's commercial property portfolio contributed $4.2 million, or 5.0%, of Killam's total NOI for the six months ended June 30, 2021.

Killam's commercial property portfolio totals 941,372 SF, located in four of Killam's core markets. Killam's commercial portfolio consists of Westmount Place, a 300,000 sq foot retail and office complex located in Waterloo, Charlottetown Mall, a 383,000 SF sq foot shopping mall in PEI for which Killam now has a 75% interest and is the property manager, the Brewery Market, a 180,000 SF retail and office property in downtown Halifax, as well as other smaller properties located in Halifax and Moncton.

On June 1, 2021, Killam acquired an additional 25% ownership interest in the Charlottetown Mall for $10.1 million. Killam now holds a 75% ownership interest in the property and is the property manager. Killam is working with its new partner on redevelopment of the site to drive new leasing and revenue growth. Killam also owns a 14-acre parcel of land adjacent to this commercial site which has residential development potential.

The increase in NOI during both the three and six months ended June 30, 2021, relates to an increase in occupancy as well as a reduction in bad debt expense and tenant abatement provided in conjunction with the federal government's Canada Emergency Commercial Rental Assistance program in the second quarter of 2020 to assist tenants impacted by COVID-19. Commercial same property results represent approximately 82% 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.

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

PART V

Other Income and Expenses

Other Income

	Three months ended June 30,			Six months ended June 30,		
	2021	2020	% Change	**2021**	2020	% Change
	$267	$137	94.9%	**$504**	$319	58.0%

Other income includes property management fees for jointly held properties, interest on bank balances, and net revenue associated with the sale of homes in Killam's MHC segment. The 94.9% and 58.0% increase for the three and six months ended June 30, 2021, was due primarily to increased interest revenue and home sales.

Financing Costs

	Three months ended June 30,			Six months ended June 30,		
	2021	2020	% Change	**2021**	2020	% Change
Mortgage, loan and construction loan interest	**$11,292**	$11,082	1.9%	**$22,431**	$21,905	2.4%
Interest on credit facilities	**160**	202	(20.8)%	**467**	539	(13.4)%
Interest on Exchangeable Units	**681**	698	(2.4)%	**1,378**	1,390	(0.9)%
Amortization of deferred financing costs	**877**	788	11.3%	**1,754**	1,532	14.5%
Amortization of fair value adjustments on assumed debt	**12**	(5)	N/A	**24**	19	26.3%
Unrealized (gain) loss on derivative liability	**(40)**	52	(176.9)%	**(80)**	495	(116.2)%
Interest on lease liabilities	**97**	96	1.0%	**193**	193	—%
Capitalized interest	**(720)**	(620)	16.1%	**(1,461)**	(1,195)	22.3%
	$12,359	$12,293	0.5%	**$24,706**	$24,878	(0.7)%

Total financing costs increased a modest $0.1 million, or 0.5%, for the three months ended June 30, 2021, as compared to Q2-2020. For the six months ended June 30, 2021, financing costs decreased $0.2 million, or 0.7% compared to the same period of 2020.

Mortgage, loan and construction loan interest expense was $11.3 million and $22.4 million for the three and six months ended June 30, 2021, an increase of $0.2 million, or 1.9%, and $0.5 million, or 2.4%, compared to the same periods of 2020. Killam's mortgage, loan and construction loan liability balance increased by $301.6 million over the past twelve months as Killam upfinanced maturing mortgages within its existing portfolio and obtained financing for acquisitions and developments. The average interest rate on refinancings for the six months ended June 30, 2021, was 1.95%, 69 bps lower than the average interest rate on expiring debt.

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 amortization costs increased 11.3% and 14.5%, for the three and six months ended June 30, 2021, following mortgage refinancings and new debt placements related to property acquisitions over the past twelve months.

Capitalized interest increased 16.1% and 22.3% for the three and six months ended June 30, 2021, compared to the same periods of 2020. Capitalized interest will vary depending on the number of development projects underway and their stages in the development cycle. Interest costs associated with development projects are capitalized to the respective development property until substantial completion.

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

Depreciation Expense

Three months ended June 30,			Six months ended June 30,		
2021	2020	% Change	**2021**	2020	% Change
$139	$169	(17.8)%	**$271**	$316	(14.2)%

Depreciation expense relates to Killam's head office building, vehicles, heavy equipment, office furniture, fixtures and computer equipment. Although the vehicles and equipment are used at various properties, they are not considered investment properties and are depreciated for accounting purposes.

Administration Expenses

	Three months ended June 30,			Six months ended June 30,		
	2021	2020	% Change	**2021**	2020	% Change
Administration	**$3,720**	$3,250	14.5%	**$7,375**	$6,787	8.7%
As a percentage of total revenues	**5.3%**	5.0%	30 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, 2021, total administration expenses increased $0.5 million, or 14.5%, and $0.6 million, or 8.7%, compared to the same periods of 2020, due to costs associated with Killam's annual incentive plan based on year-to-date results as well as higher information technology costs as Killam continues to enhance its platform. Administration expenses as a percentage of total revenue was 5.3% for Q2-2021, up 30 bps compared to Q2-2020.

Fair Value Adjustments

	Three months ended June 30,			Six months ended June 30,		
	2021	2020	% Change	**2021**	2020	% Change
Investment properties	**$134,076**	$3,638	N/A	**$147,885**	$3,646	N/A
Deferred unit-based compensation	**(391)**	(276)	41.7%	**(602)**	225	N/A
Exchangeable units	**(7,071)**	(7,131)	(0.8)%	**(12,813)**	5,994	313.8%
	$126,614	($3,769)	N/A	**$134,470**	$9,865	N/A

Killam recognized $134.1 million and $147.9 million in fair value gains related to its investment properties for the three and six months ended June 30, 2021, compared to $3.6 million in fair value gains for the three and six months ended June 30, 2020.

The increase in fair value gains recognized during the quarter is due to continued high demand for apartments across the country driving rent growth as well as recent market transactions in Ontario, Victoria and Halifax supporting lower cap-rates. These markets continue to see cap-rate compression and highly competitive conditions.

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, 2021, there was an unrealized fair value loss of $0.4 million and $0.6 million, compared to a $0.3 million loss and a $0.2 million gain for the same periods of 2020, due to changes in the market price of the underlying Killam trust units.

Distributions paid on exchangeable units are consistent with distributions paid to Killam's unitholders. The exchangeable units are redeemable on a one-for-one basis into trust units at the option of the holder. The fair value of the exchangeable units is based on the trading price of Killam's trust units. For the three months ended June 30, 2021, there was an unrealized loss on remeasurement of $7.1 million, consistent with Q2-2020. For the six months ended June 30, 2021, there was an unrealized loss of $12.8 million, compared to an unrealized gain of $6.0 million for the same period of 2020. The unrealized loss in the quarter reflects an increase in Killam's unit price as at June 30, 2021, compared to March 31, 2021.

Deferred Tax Expense (Recovery)

	Three months ended June 30,			Six months ended June 30,		
	2021	2020	% Change	**2021**	2020	% Change
	$18,587	$465	N/A	**$23,387**	($2,654)	N/A

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

Killam's deferred tax expense increased $18.1 million and $26.0 million for the three and six months ended June 30, 2021, compared to the same periods of 2020, primarily due to the fair value gains on investment properties during the quarter.

PART VI

Per Unit Calculations

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

	Weighted Average Number of Units (000s)						**Outstanding Number of Units (000s) as at June 30,**
	Three months ended June 30,			**Six months ended June 30,**			
	2021	2020	% Change	**2021**	2020	% Change	**2021**
Trust units	**105,759**	98,357	7.5%	**104,578**	98,197	6.5%	**109,925**
Exchangeable units	**4,011**	4,103	(2.2)%	**4,056**	4,128	(1.7)%	**4,004**
Basic number of units	**109,770**	102,460	7.1%	**108,634**	102,325	6.2%	**113,929**
Plus:							
Units under RTU plan (1)	**159**	160	(0.6)%	**160**	164	(2.4)%	—
Diluted number of units	**109,929**	102,620	7.1%	**108,794**	102,489	6.2%	—

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

Funds from Operations

FFO are 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 therefore may not be comparable to similarly titled measures presented by other publicly traded companies. FFO for the three and six months ended June 30, 2021 and 2020 are calculated as follows:

	Three months ended June 30,			**Six months ended June 30,**		
	2021	2020	% Change	**2021**	2020	% Change
Net income	**$136,672**	$21,509	535.4%	**$164,094**	$60,011	173.4%
Fair value adjustments	**(126,614)**	3,769	N/A	**(134,470)**	(9,865)	N/A
Non-controlling interest	**(3)**	(5)	(40.0)%	**(5)**	(8)	(37.5)%
Internal commercial leasing costs	**52**	81	(35.8)%	**103**	162	(36.4)%
Deferred tax expense (recovery)	**18,587**	465	N/A	**23,387**	(2,654)	N/A
Interest expense on exchangeable units	**681**	698	(2.4)%	**1,378**	1,390	(0.9)%
Unrealized (gain) loss on derivative liability	**(40)**	52	(176.9)%	**(80)**	495	116.2%
Depreciation on owner-occupied building	**27**	40	(32.5)%	**54**	83	(34.9)%
Change in principal related to lease liabilities	**7**	8	(12.5)%	**14**	16	(12.5)%
FFO	**$29,369**	$26,617	10.3%	**$54,475**	$49,630	9.8%
FFO per unit – basic	**$0.27**	$0.26	3.8%	**$0.50**	$0.49	2.0%
FFO per unit – diluted	**$0.27**	$0.26	3.8%	**$0.50**	$0.48	4.2%
Weighted average number of units – basic (000s)	**109,770**	102,460	7.1%	**108,634**	102,325	6.2%
Weighted average number of units – diluted (000s)	**109,929**	102,620	7.1%	**108,794**	102,489	6.2%

Killam earned FFO of $29.4 million, or $0.27 per unit (diluted), for the three months ended June 30, 2021, compared to $26.6 million, or $0.26 per unit (diluted), for the three months ended June 30, 2020. FFO growth is primarily attributable to contributions from same property NOI growth ($1.3 million), acquisitions and completed developments ($1.2 million) and decreased same property interest expense ($0.7 million). These increases were partially offset by a 7.1% increase in the weighted average number of units outstanding.

Killam earned FFO of $54.5 million, or $0.50 per unit (diluted), for the six months ended June 30, 2021, compared to $49.6 million, or $0.48 per unit (diluted), for the six months ended June 30, 2020. FFO growth is primarily attributable to contributions from acquisitions and completed developments ($1.9 million), same property NOI growth ($1.9 million) and decreased same property interest expense coupled with increase capitalized interest ($1.4 million). These increases were partially offset by a 6.2% increase in the weighted average number of units outstanding.

Adjusted Funds from Operations

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

Killam uses a rolling three-year historic average of actual maintenance capex for its apartment and MHC portfolios to calculate AFFO. This includes 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 2020 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,**		
	2021	2020	% Change	**2021**	2020	% Change
FFO	**$29,369**	$26,617	10.3%	**$54,475**	$49,630	9.8%
Maintenance capital expenditures	**(4,400)**	(4,205)	4.6%	**(8,768)**	(8,368)	4.8%
Commercial straight-line rent adjustment	**(78)**	(185)	(57.8)%	**(251)**	(339)	(26.0)%
Internal commercial leasing costs	**(117)**	(91)	28.6%	**(196)**	(218)	(10.1)%
AFFO	**$24,774**	$22,136	11.9%	**$45,260**	$40,705	11.2%
AFFO per unit – basic	**$0.23**	$0.22	4.5%	**$0.42**	$0.40	5.0%
AFFO per unit – diluted	**$0.23**	$0.22	4.5%	**$0.42**	$0.40	5.0%
AFFO payout ratio – diluted	**75%**	79%	(400) bps	**82%**	85%	(300) bps
AFFO payout ratio – rolling 12 months (1)	**80%**	80%	– bps			
Weighted average number of units – basic (000s)	**109,770**	102,460	7.1%	**108,634**	102,325	6.2%
Weighted average number of units – diluted (000s)	**109,929**	102,620	7.1%	**108,794**	102,489	6.2%

(1) Based on Killam's annual distribution of $0.68004 for the 12-month period ended June 30, 2021, and $0.66668 for the 12-month period ended June 30, 2020. The calculation uses a maintenance capex reserve for apartments of $900 for the rolling 12 months ended June 30, 2021 and 2020.

The payout ratio of 75% in Q2-2021, compared to the rolling 12-month payout ratio of 80%, 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 September each year.

The improvement in the AFFO payout ratio for the three and six months ended June 30, 2021 is attributable to higher AFFO per unit growth of 4.5% and 5.0%. Killam's Board of Trustees evaluates the Trust's payout ratio quarterly. The Board of Trustees has not established an AFFO payout target.

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

Adjusted Cash Flow from Operations

ACFO 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 has incorporated ACFO as a useful measure to evaluate Killam's ability to fund distributions to unitholders. ACFO should not be construed as an alternative to cash flows provided by or used in operating activities determined in accordance with IFRS.

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

A reconciliation from cash provided by operating activities (refer to the condensed consolidated interim statements of cash flows for the three and six months ended June 30, 2021 and 2020) to ACFO is as follows:

	Three months ended June 30,			**Six months ended June 30,**		
	2021	2020	% Change	**2021**	2020	% Change
Cash provided by operating activities	**$25,837**	$27,044	(4.5)%	**$53,592**	$53,449	0.3 %
Adjustments:						
Changes in non-cash working capital not indicative of sustainable cash flows	**5,679**	552	N/A	**3,365**	(1,650)	N/A
Maintenance capital expenditures	**(4,400)**	(4,205)	4.6%	**(8,768)**	(8,368)	4.8%
Internal commercial leasing costs	**(78)**	(91)	(14.3)%	**(121)**	(218)	(44.5)%
Amortization of deferred financing costs	**(877)**	(788)	11.3%	**(1,754)**	(1,532)	14.5 %
Interest expense related to lease liability	**(7)**	(8)	(12.5)%	**(14)**	(16)	(12.5)%
Non-controlling interest	**(3)**	(5)	(40.0)%	**(2)**	(8)	(75.0)%
ACFO	**$26,151**	$22,499	16.2%	**$46,298**	$41,657	11.1%
Distributions declared (1)	**19,260**	17,645	9.2%	**37,783**	34,869	8.4%
Excess of ACFO over cash distributions	**$6,891**	$4,854	42.0%	**$8,515**	$6,788	25.4%
ACFO payout ratio – diluted (2)	**74%**	78%	(400) bps	**82%**	84%	(200) bps

(1) Includes distributions on trust units, exchangeable units and restricted trust units, as summarized on page 36.
(2) Based on Killam's monthly distribution of $0.05667 per unit for July 2020 to June 2021.

Killam's ACFO payout ratio is 74% and 82% for the three and six months ended June 30, 2021, lower than the payout ratio for the three and six months ended June 30, 2020. Similarly to the AFFO payout ratio, Killam's first quarter typically has the highest ACFO payout ratio due to the lower operating margin in the period attributable to higher heating costs in the winter months 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,**	
	2021	2020	**2021**	2020
Net income	**$136,672**	$21,509	**$164,094**	$60,011
Cash provided by operating activities	**$25,837**	$27,044	**$53,592**	$53,449
Total distributions declared	**$19,260**	$17,645	**$37,783**	$34,869
Excess of net income over total distributions declared	**$117,412**	$3,864	**$126,311**	$25,142
Excess of net income over net distributions paid (1)	**$123,779**	$9,432	**$138,720**	$34,939
Excess of cash provided by operating activities over total distributions declared	**$6,577**	$9,399	**$15,809**	$18,580

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

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

PART VII

Investment Properties

As at

	June 30, 2021	December 31, 2020	% Change
Investment properties	**$4,028,765**	$3,570,198	12.8%
Investment properties under construction ("IPUC")	**157,204**	128,100	22.7%
Land for development	**46,279**	43,620	6.1%
	$4,232,248	$3,741,918	13.1%

Continuity of Investment Properties

As at

	June 30, 2021	December 31, 2020	% Change
Balance, beginning of period	**$3,570,198**	$3,234,410	10.4%
Acquisition of properties	**271,855**	206,616	31.6%
Transfer from IPUC	**17,254**	22,117	(22.0)%
Capital expenditures	**27,772**	65,693	(57.7)%
Fair value adjustment - Apartments	**141,352**	53,765	162.9%
Fair value adjustment - MHCs	**—**	1,820	(100.0)%
Fair value adjustment - Commercial	**334**	(14,862)	(102.2)%
Impact of change in right-of-use asset	**—**	639	(100.0)%
Balance, end of period	**$4,028,765**	$3,570,198	12.8%

Killam reviewed its valuation of investment properties in light of COVID-19 as at June 30, 2021 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 are supported by cap-rate compression in Victoria, Ontario and Halifax, and robust NOI growth driven by increasing rental rates and strong apartment fundamentals.

A summary of the high, low and weighted average cap-rates used in the valuation models as at June 30, 2021 and 2020, and December 31, 2020, is as follows:

Capitalization Rates

	June 30, 2021			December 31, 2020			June 30, 2020		
	Low	**High**	**Effective Weighted Average**	Low	High	Effective Weighted Average	Low	High	Effective Weighted Average
Apartments	**3.00%**	**7.00%**	**4.44%**	3.25%	7.00%	4.67%	3.50%	8.00%	4.73%
MHCs	**5.00%**	**6.50%**	**5.63%**	5.00%	6.50%	5.64%	5.00%	6.50%	5.64%

Killam's weighted average cap-rate for its apartment and MHC portfolio as at June 30, 2021 was 4.44% and 5.63%, a decrease of 23 bps and 1 bps compared to December 31, 2020.

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

2021 Acquisitions - Investment Properties

Property	Location	Acquisition Date	Ownership Interest	Property Type	Units/SF	Purchase Price [1]
Nolan Hill [2]	Calgary, AB	21-Jan-21	100%	Apartment	233	$49,500
Sherwood Crossing Land	Charlottetown, PE	29-Jan-21	100%	Development Land	—	3,400
1313-1321 Hollis Street [3]	Halifax, NS	29-Jan-21	100%	Commercial/Development Land	—	3,000
54 Assomption Blvd	Moncton, NB	01-Feb-21	100%	Apartment	23	5,600
Southport [3]	Stratford, PE	01-Feb-21	100%	Development Land	33	3,800
5735 College Street	Halifax, NS	07-May-21	100%	Development Land	—	1,300
Charlottetown Mall [4]	Charlottetown, PE	01-Jun-21	25%	Commercial	95,750	10,100
38 Pasadena Crescent	St. John's, NL	08-Jun-21	100%	Apartment	40	4,200
KWC Portfolio [5]	Kitchener-Waterloo, ON	30-Jun-21	100%	Apartment	785	190,500
Total Acquisitions						**$271,400**

(1) Purchase price does not include transaction costs.

(2) Killam had a 10% interest in the Nolan Hill development of $4.8 million and acquired the remaining 90% interest in January 2021, based on the purchase price of $55.0 million for a 100% interest.

(3) Revenue generating properties acquired for future development potential.

(4) Killam acquired an additional 25% interest in the property, with its ownership interest now totalling 75%. The total square footage of the commercial property is 383,222.

(5) The portfolio of 785 units consists of 297 units located in Kitchener, ON, and 488 units in Waterloo, ON.

Nolan Hill
On January 21, 2021, Killam completed the acquisition of the remaining 90% interest in 233 apartment units in Calgary, AB, for $49.5 million. This property is in the lease-up phase and is currently fully leased.

Sherwood Crossing Land
On January 29, 2021, Killam completed the acquisition of a parcel of land for development, adjacent Charlottetown Mall, for $3.4 million.

1313-1321 Hollis Street
On January 29, 2021, Killam completed the acquisition of a small commercial property adjacent to another property Killam owns, for future development, for $3.0 million.

54 Assomption Blvd
On February 1, 2021, Killam completed the acquisition of a 23-unit apartment building in Moncton, NB, for $5.6 million.

Southport
On February 1, 2021, Killam completed the acquisition of a parcel of land adjacent to its Shorefront development in PEI, for future development, for $3.8 million.

5735 College Street
On May 7, 2021, Killam completed the acquisition of a parcel of land for future development in Halifax, NS, for $1.3 million.

Charlottetown Mall
On June 1, 2021, Killam acquired an additional 25% interest in Charlottetown Mall for $10.1 million, increasing its ownership to 75%. Charlottetown Mall is a stabilized, grocery-anchored, enclosed mall, located on 32 acres in PEI's busiest retail node and adjacent to the University of PEI campus. Killam's former joint venture partner, RioCan REIT, sold their 50% interest to Killam and a local PEI real estate operator. The local presence will bring a regional leasing perspective, further development expertise and community-level involvement to revitalize the centre. Killam has taken over the management of the mall and has identified opportunities to reduce the property's operating expenses and carbon footprint in the near future.

38 Pasadena Crescent
On June 8, 2021, Killam completed the acquisition of a 40-unit apartment building in St. John's, NL, for $4.2 million.

KWC Portfolio
On June 30, 2021, Killam completed the acquisition of 785 units in Kitchener-Waterloo, ON, for $190.5 million. The portfolio includes four properties in Kitchener-Waterloo, totalling 11 buildings ranging from four to twelve storeys. The purchase price was satisfied by new first mortgage financing of $123.9 million with the balance in cash from the proceeds of Killam's equity offering, which closed on May 31, 2021.

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

Investment Properties Under Construction

As at

	June 30, 2021	December 31, 2020	% Change
Balance, beginning of period	**$128,100**	$46,867	173.3%
Fair value adjustment	**6,199**	10,184	(39.1)%
Capital expenditures	**34,927**	76,050	(54.1)%
Interest capitalized	**1,100**	1,686	(34.8)%
Acquisitions	**—**	3,968	(100.0)%
Transfer to investment properties	**(17,254)**	(22,117)	(22.0)%
Transfer from land for development	**4,132**	11,462	(64.0)%
Balance, end of period	**$157,204**	$128,100	22.7%

Land for Development

As at

	June 30, 2021	December 31, 2020	% Change
Balance, beginning of period	**$43,620**	$39,327	10.9%
Fair value adjustment	**—**	(4,022)	(100.0)%
Capital expenditures	**1,591**	3,339	(52.4)%
Interest capitalized	**360**	987	(63.5)%
Acquisitions	**4,840**	1,237	291.3%
Transfer to IPUC	**(4,132)**	(11,462)	(64.0)%
Transfer from held for sale (1)	**—**	14,214	(100.0)%
Balance, end of period	**$46,279**	$43,620	6.1%

(1) In 2020, Killam determined that this parcel of land for development, previously classified as held for sale no longer met the criteria for this classification. As at March 31, 2020, Killam reclassified the land to investment properties.

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

Property	Location	Ownership	Number of Units (1)	Project Budget (millions)	Start Date	Estimated Completion	Anticipated All-cash Yield
Latitude	Ottawa, ON	50%	104	$43.5	2019	Q1-2022	4.40% - 4.60%
The Kay	Mississauga, ON	100%	128	$57.0	2019	Q4-2021	4.50% - 4.75%
Luma	Ottawa, ON	50%	84	$44.3	2019	2022	4.00% - 4.25%
Civic 66	Kitchener, ON	100%	169	$69.7	2020	2022	4.75% - 5.00%
The Governor	Halifax, NS	100%	12	$22.0	2021	2022	4.25% - 4.75%
Total			497	$236.5			

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

Latitude
Latitude, the second phase of the Gloucester City Centre development, containing 209 units, broke ground during Q2-2019 and is expected to be completed in early 2022. The total cost is budgeted at $87.0 million ($43.5 million for Killam's 50% interest). Construction financing was placed on this project during Q3-2020 and all remaining development costs will be funded through this financing.

The Kay
The budget for this 128-unit development located in Mississauga, ON, is $57.0 million, with an anticipated all-cash yield in the range of 4.50% - 4.75%, approximately a 125–175 bps premium over the market cap-rate for a similar quality asset. The development broke ground during the third quarter of 2019 and is expected to be completed in late 2021. Construction financing was put in place during Q2-2020 and all remaining development costs will be funded through this financing.

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

Luma

This development broke ground in Q3-2019 and is expected to be completed in early 2022. Killam's 50% cost is approximately $44.3 million with a 4.00% - 4.25% yield. Construction financing was put in place during Q4-2020 and all remaining development costs will be funded through this financing.

Civic 66

Killam started construction in July 2020 and it is expected to take 24 months to complete. The budget for the development is $69.7 million, with an anticipated all-cash yield in the range of 4.75% - 5.00%, approximately a 125–175 bps premium over the market cap-rate for a similar quality asset. Killam met its equity contribution and secured construction financing during Q2-2021 and all remaining development costs will be funded through this financing.

Governor

In early 2021, Killam broke ground on 12 luxury units and 3,500 SF of ground floor commercial space, located behind its 240-unit, The Alexander, in Halifax, NS. The budget for the development is $22.0 million, with an anticipated all-cash yield in the range of 4.25% - 4.75%.

Future Development Pipeline

Killam has a robust development pipeline. Over half of Killam's development pipeline is outside Atlantic Canada. Killam targets yields of 4.5% - 5.0% on developments, 50–150 bps higher than the expected cap-rate value on completion. Building out the approximate $1.3 billion pipeline at a 100 bps spread should create in excess of $250 million in net asset value (NAV) growth for unitholders. Killam has the following land available for future development:

Property	Location	Killam's Interest	Development Potential (# of Units) (1)	Status	Estimated Year of Completion
Developments expected to start in 2021					
Nolan Hill (Phase 2)(2)	Calgary, AB	10%	234	Detailed design, preparing submission	2024
Westmount Place (Phase 1)	Waterloo, ON	100%	139	Conditional approval	2024
Developments expected to start in 2022-2026					
Carlton East & West	Halifax, NS	100%	140	Submitted for approval	2024
Stratford land	Charlottetown, PE	100%	175	In design	2024
Sherwood Crossing	Charlottetown, PE	100%	325	In design	2025
Medical Arts	Halifax, NS	100%	200	Concept design	2025
Hollis Street	Halifax, NS	100%	100	In design	2025
Gloucester City Centre (Phase 3)	Ottawa, ON	50%	200	In design	2025
Westmount Place (Phase 2)	Waterloo, ON	100%	150	In design	2028
Additional future development projects					
Nolan Hill (Phase 3-4)(2)	Calgary, AB	10%	468	Future development	TBD
Christie Point	Victoria, BC	100%	312	Development agreement in place	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 (2)			**4,163**		

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

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

Capital Improvements

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

During the three and six months ended June 30, 2021, Killam invested $16.7 million and $27.8 million, an increase of 51.2% and 25.5% compared to the same periods of 2020. The increase relates to the restrictions put in place in Q2-2020 at the onset of the COVID-19 pandemic which limited work that could be done within the buildings. Killam continues to review its capital plan for 2021 and expects to invest in the range of $65.0–$75.0 million during the year.

	Three months ended June 30,			**Six months ended June 30,**		
	2021	2020	% Change	**2021**	2020	% Change
Apartments	**$14,294**	$9,876	44.7%	**$24,812**	$19,982	24.2%
MHCs	**1,557**	532	192.7%	**2,018**	840	140.2%
Commercial	**885**	664	33.3%	**942**	1,303	(27.7)%
	$16,736	$11,072	51.2%	**$27,772**	$22,125	25.5%

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,**		
	2021	2020	% Change	**2021**	2020	% Change
Suite renovations and repositionings	**$8,276**	$4,460	85.6%	**$12,772**	$9,667	32.1%
Building improvements	**4,577**	2,951	55.1%	**9,176**	5,890	55.8%
Appliances	**914**	527	73.4%	**1,805**	1,097	64.5%
Energy	**360**	1,056	(65.9)%	**739**	1,726	(57.2)%
Common area	**167**	882	(81.1)%	**320**	1,602	(80.0)%
Total capital invested	**$14,294**	$9,876	44.7%	**$24,812**	$19,982	24.2%
Average number of units outstanding (1)	**16,902**	16,165	4.6%	**16,845**	16,087	4.7%
Capital invested - $ per unit	**$846**	$611	38.5%	**$1,473**	$1,242	18.6%

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

Killam invested $846 and $1,473 per unit for the three and six months ended June 30, 2021, compared to $611 and $1,242 per unit for the same periods of 2020. The increase relates to the continued expansion of Killam's suite repositioning program and larger structural projects focused on increasing the resiliency of its buildings. Killam's focus on new development and acquisition of newer properties translates into a lower maintenance capex per unit than many other apartment owners in Canada. Thirty-six percent of Killam's apartments, as a percentage of 2021 forecasted NOI, were built in the past 10 years, and the average age of Killam's portfolio is 28 years. This portfolio of newer assets allows Killam to focus on value-enhancing opportunities as the maintenance capital requirements are lower.

Suite Renovations and Repositionings

Killam invested $8.3 million and $12.8 million in suite renovations during the three and six months ended June 30, 2021, an 85.6% and 32.1% increase over the total investment of $4.5 million and $9.7 million for the three and six months ended June 30, 2020. This increase reflects Killam's continued focus on unit renovations to maximize occupancy and rental growth. Killam targets a minimum ROI of 10% for its suite renovations, earning rental growth of 10%–30%. The timing of suite 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 completed repositioning 287 units, with an average investment of approximately $25,000 per suite, generating an average ROI of 13.0%, compared to 275 units in the first half of 2020.

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

A summary of the repositioning activities for the six months ended June 30, 2021 is set out below:

	2021 Repositioning Program			
Region	YTD-2021 Units Repositioned	Average Investment per Unit	Rental Lift Achieved %	Avg Return on Investment
Nova Scotia	186	$26,000	21.0%	11.0%
Ontario	25	$34,800	35.0%	16.0%
New Brunswick	75	$19,000	31.0%	18.0%
Newfoundland & Labrador	1	$41,500	37.0%	10.0%
Total (weighted average)	**287**	**$25,000**	**25.0%**	**13.0%**

Killam is targeting 550 repositionings in 2021. In the long term, Killam estimates that the reposition opportunity within the current portfolio is approximately an additional 5,500 units, which should generate an estimated $19.7 million in additional annualized revenue representing an approximate $260.0 million increase in NAV.

Building Improvements
These investments include larger building improvement projects such as exterior cladding and brick work, balcony refurbishments, roof upgrades, and sidewalk replacements, as well as projects such as plumbing improvements, fire safety, security systems and window upgrades. The increase in building investments for the three and six months ended June 30, 2021 relates primarily to the timing of multi-phase building envelope projects.

Energy
After the successful completion of Killam's five-year energy efficiency program in 2020, Killam continues to invest in additional energy efficiency initiatives. Some of these projects include the installation of photovoltaic solar panels at select properties, installation of electric vehicle (EV) chargers, boiler and heat pump replacements and electricity and water conservation projects. Many of these projects are scheduled to be completed in the second half of 2021. Killam also continues to augment its sustainability programs and improve its GRESB rating. Killam is committed to continuously lowering and reporting on its greenhouse gas emissions and also completing benchmarking using third-party validation.

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,		
	2021	2020	% Change	**2021**	2020	% Change
Water and sewer upgrades	**$290**	$143	102.8%	**$500**	$338	47.9%
Site expansion and land improvements	**297**	99	200.0%	**346**	195	77.4%
Other	**970**	290	234.5%	**1,172**	307	281.8%
Total capital invested - MHCs	**$1,557**	$532	192.7%	**$2,018**	$840	140.2%
Average number of sites	**5,875**	5,875	—%	**5,875**	5,834	0.7%
Capital invested - $ per site	**$265**	$91	191.2%	**$343**	$144	138.2%

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 various 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, 2021 was $1.6 million and $2.0 million, up from $0.5 million and $0.8 million in the three and six months ended June 30, 2020. The increase in capital spend is due to timing of various community enhancements, land improvements and water and sewer upgrades. 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, 2021, Killam invested $0.8 million and $0.9 million in its commercial portfolio, compared to $0.7 million and $1.3 million for the three and six months ended June 30, 2020. This investment relates primarily to upgrades and tenant improvements at the Brewery Market and Westmount Place.

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

Mortgages and Other Loans

The table below outlines Killam's key debt metrics:

As at	June 30, 2021	December 31, 2020	Change
Weighted average years to debt maturity	**4.3**	4.6	(0.3) years
Total debt to total assets	**44.5%**	44.6%	(10) bps
Interest coverage	**3.44x**	3.36x	2.4%
Debt service coverage	**1.54x**	1.57x	(1.9)%
Debt to normalized EBITDA (1)	**11.11x**	10.78x	3.1%
Weighted average mortgage interest rate	**2.61%**	2.69%	(8) bps
Weighted average interest rate of total debt	**2.61%**	2.69%	(8) bps

(1) Ratio calculated net of cash.

Killam’s long-term debt consists largely of fixed-rate, long-term mortgages. Mortgages are secured by a first or second charge against individual properties. Killam’s weighted average interest rate on mortgages as at June 30, 2021, was 2.61%, 8 bps lower compared to the rate as at December 31, 2020.

Total debt as a percentage of total assets was 44.5% as at June 30, 2021, compared to 44.6% as at December 31, 2020. The slight decrease in total leverage is attributable to assets acquired and fair value gains booked on Killam's apartment portfolio as a result of cap-rate compression in its Halifax, Victoria and Ontario markets. 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.

Refinancings

For the six months ended June 30, 2021, Killam refinanced the following mortgages:

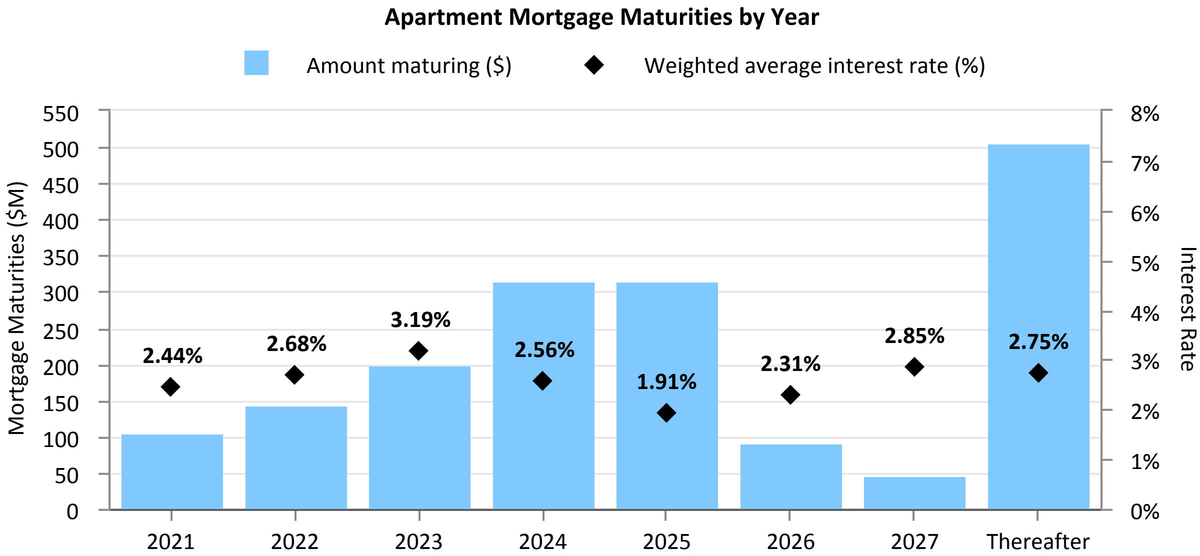
	Mortgage Debt Maturities		Mortgage Debt on Refinancing		Weighted Average Term	Net Proceeds
Apartments	$21,770	2.57%	$30,242	1.87%	5.0 years	$8,472
MHCs	3,207	3.08%	5,374	2.43%	5.0 years	2,167
	$24,977	**2.64%**	**$35,616**	**1.95%**	**5.0 years**	**$10,639**

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

	Apartments			MHCs and Commercial		Total	
Year of Maturity	Balance June 30	Weighted Avg Int. Rate %	% CMHC Insured	Balance June 30	Weighted Avg Int. Rate %	Balance June 30 (1)	Weighted Avg Int. Rate %
2021	104,831	2.44%	87.5%	8,660	3.72%	113,491	2.54%
2022	144,098	2.68%	47.8%	23,551	3.58%	167,649	2.81%
2023	199,805	3.19%	67.3%	30,643	3.78%	230,448	3.27%
2024	313,850	2.56%	70.8%	26,415	2.88%	340,265	2.58%
2025	314,316	1.91%	61.7%	21,993	2.61%	336,309	1.96%
Thereafter	644,362	2.70%	99.0%	5,321	2.44%	649,683	2.69%
	1,721,262	**2.57%**	**78.4%**	**116,583**	**3.25%**	**1,837,845**	**2.61%**

(1) Excludes $8.3 million in variable rate demand loans secured by development properties, which are classified as mortgages and loans payable as at June 30, 2021.

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. Killam has experienced continued access to mortgage debt throughout the current COVID-19 pandemic. 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, 2021, approximately 78.4% of Killam's apartment mortgages were CMHC-insured (73.4% of total mortgages, as MHC and commercial mortgages are not eligible for CMHC insurance) (December 31, 2020 - 85.2% and 79.9%). The weighted average interest rate on the CMHC-insured mortgages was 2.57% as at June 30, 2021 (December 31, 2020 - 2.60%).

The following tables present the NOI for properties that are available to Killam to refinance at debt maturity in the remainder of 2021 and 2022:

Remaining 2021 Debt Maturities	**Number of Properties**	**Estimated NOI**	**Principal Balance (at maturity)**
Apartments with debt maturing	27	$11,691	$99,577
MHCs and commercial with debt maturing	3	720	4,869
	30	**$12,411**	**$104,446**

2022 Debt Maturities	**Number of Properties**	**Estimated NOI**	**Principal Balance (at maturity)**
Apartments with debt maturing	22	$15,538	$139,744
MHCs with debt maturing	9	3,153	22,316
	31	**$18,691**	**$162,060**

Future Contractual Debt Obligations

As at June 30, 2021, 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**
2022	$294,815	$59,122	$30,005	$383,942
2023	240,152	—	—	240,152
2024	248,788	—	—	248,788
2025	299,337	—	—	299,337
2026	205,282	—	—	205,282
Thereafter	557,741	—	—	557,741
	$1,846,115	**$59,122**	**$30,005**	**$1,935,242**

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

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

Credit Facilities

Killam has access to two credit facilities with credit limits of $110.0 million ($130.0 million with the accordion feature) and $10.0 million (December 31, 2020 - $110.0 million and $10.0 million) that can be used for acquisition and general business purposes.

The $110.0 million facility bears interest at prime plus 70 bps on prime rate advances or 170 bps over bankers' acceptances ("BAs"). The facility includes a $30.0 million demand revolver and a $80.0 million committed revolver as well as an accordion option to increase the $110.0 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, 2021. The facility matures on December 15, 2021.

The $10.0 million demand facility bears interest at prime plus 125 bps on advances and 135 bps on issuance of letters of credit in addition to 50 bps per annum. The agreement includes certain covenants and undertakings with which Killam was in compliance as at June 30, 2021.

As at June 30, 2021	Maximum Loan Amount (1)	Amount Drawn	Letters of Credit	Amount Available
$110.0 million facility	$130,000	$29,000	$—	$101,000
$10.0 million facility	10,000	1,005	1,870	7,125
Total	**$140,000**	**$30,005**	**$1,870**	**$108,125**

As at December 31, 2020	Maximum Loan Amount (1)	Amount Drawn	Letters of Credit	Amount Available
$110.0 million facility	$130,000	$5,000	$—	$125,000
$10.0 million facility	10,000	2,029	1,773	6,198
Total	$140,000	$7,029	$1,773	$131,198

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

Construction Loans

As at June 30, 2021, 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, 2021, $59.1 million was drawn on the construction loans (December 31, 2020 - $41.3 million). Payments are made monthly on an interest-only basis. The weighted-average contractual interest rate on amounts outstanding is 2.33% (December 31, 2020 - 2.37%). Once construction is complete and rental targets achieved, the construction loans will be repaid in full and replaced with conventional mortgages.

Construction financing for Killam's Civic 66 development and The Governor development were finalized during Q1-2021 and Q2-2021.

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, 2021, 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.

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

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,		
	2021	2020	% Change	**2021**	2020	% Change
Distributions declared on trust units	**$18,520**	$16,889	9.7%	**$36,286**	$33,361	8.8%
Distributions declared on exchangeable units	**681**	697	(2.3)%	**1,378**	1,389	(0.8)%
Distributions declared on awards outstanding under RTU plan	**59**	59	—%	**119**	119	—%
Total distributions declared	**$19,260**	$17,645	9.2%	**$37,783**	$34,869	8.4%
Less:						
Distributions on trust units reinvested	**(6,308)**	(5,509)	14.5%	**(12,290)**	(9,678)	27.0%
Distributions on RTUs reinvested	**(59)**	(59)	—%	**(119)**	(119)	—%
Net distributions paid	**$12,893**	$12,077	6.8%	**$25,374**	$25,072	1.2%
Percentage of distributions reinvested	**33.1%**	31.6%		**32.8%**	28.1%	

Liquidity and Capital Resources

Management manages 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 access to approximately $108.0 million of capital under its credit facilities. Killam's acquisition capacity on its credit facility is over $250.0 million.

(iii) Mortgage refinancings and construction loans are expected to be sufficient to fund value-enhancing capex, principal repayments and developments. Killam has $104.8 million of mortgage debt scheduled for refinancing through to the end of 2021, expected to lead to upfinancing opportunities of approximately $35.0 million.

(iv) Upcoming mortgage maturities are expected to be renewed through Killam's mortgage program. Killam's mortgage program has remained stable since COVID-19 with renewals proceeding as scheduled.

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

Killam is in compliance with all financial covenants contained in the DOT and through its credit facilities. Under the DOT, total indebtedness of Killam is limited to 70% of gross book value determined as the greater of (i) the value of Killam's assets as shown on the most recent condensed consolidated interim statement of financial position and (ii) the historical cost of Killam's assets. Total debt as a percentage of assets as at June 30, 2021 was 44.5%.

Killam has financial covenants on its $110.0 million 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 4, 2021, Killam was in compliance with said covenants.

PART VIII

Risk Management

Killam faces a variety of risks, the majority of which are common to real estate entities. These are described in detail in the MD&A of Killam's 2020 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, 2020, 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, 2021.

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 2020 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, 2021, 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, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Canadian and global stock markets have also experienced great volatility and significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. Killam has considered the negative economic outlook and cash flow difficulties that may be experienced as a result of this virus on its tenants, suppliers and lenders. The ultimate duration and impacts of the COVID-19 pandemic are not currently known. Killam has used the best information available as at June 30, 2021, in determining its estimates and the assumptions that affect the carrying amounts of assets and liabilities, and earnings for the period. Actual results could differ from those estimates. Killam considers the estimates that could be most significantly impacted by COVID-19 to include those underlying the valuation of investment properties and the estimated credit losses on accounts receivable.

Disclosure Controls, Procedures and Internal Controls

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

Related Party Transactions

Killam previously had construction management and development agreements with companies owned by a former Trustee that did not offer to stand for re-election at the May 2021 AGM, for the development of two apartment buildings. From January 1, 2021 to May 7, 2021, these companies were paid $0.04 million (June 30, 2020 - $0.1 million and $0.2 million).

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 a company owned by an executive and Trustee of Killam. These properties are managed by an arm's length third party. Killam's head office occupies approximately 23,000 SF of one of the buildings with base rent of approximately $13.00 per SF, of which 50% is paid to the related party based on the ownership interest.

Subsequent Events

On July 15, 2021, Killam announced a distribution of $0.05667 per unit, payable on August 16, 2021, to unitholders of record on July 31, 2021.

On August 4, 2021, the Board of Trustees approved a 2.9% increase to Killam's annual distribution, to $0.70 per unit from $0.68 per unit. The monthly distribution will be $0.05833 per unit, up from $0.05667 per unit. The increase will apply to the September 2021 distribution, to be paid in October 2021.