2021 Management's Discussion and Analysis

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

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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 multi-residential property owners, owning, operating, managing and developing a $4.5 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 88.5% of Killam’s net operating income (NOI) for the year ended December 31, 2021. As at December 31, 2021, Killam’s apartment portfolio consisted of 18,685 units, including 968 units jointly owned with institutional partners. Killam's 221 apartment properties are located in Atlantic Canada's six largest urban centres (Halifax, Moncton, Saint John, Fredericton, Charlottetown and St. John's), Ontario (Ottawa, London, Toronto and Kitchener-Waterloo-Cambridge), Alberta (Edmonton and Calgary), and British Columbia (Greater Victoria). Killam is Atlantic Canada’s largest owner of multi-residential apartments and plans to continue increasing its presence outside Atlantic Canada through acquisitions and developments; however, it will continue to invest strategically in Atlantic Canada to maintain its market presence.

In addition, Killam owns 5,875 sites in 39 MHCs, also known as land-lease communities or trailer parks, in Ontario and Atlantic Canada. Killam owns the land and infrastructure supporting these communities and leases sites to tenants who own their own homes and pay Killam site rent. The MHC portfolio accounted for 6.4% of Killam’s NOI for the year ended December 31, 2021. Killam also owns 941,372 square feet (SF) of commercial space that accounted for 5.1% of Killam's NOI for the year ended December 31, 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 annual consolidated financial statements, including the notes thereto, and pertains to known risks and uncertainties. This MD&A should be read in conjunction with the Trust's audited consolidated financial statements for the years ended December 31, 2021 and 2020, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These documents, along with Killam’s 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 February 16, 2022. 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 its Amended and Restated Declaration of Trust (DOT) dated November 27, 2015, which is available on SEDAR. A summary of the guidelines and policies is as follows:

Investment Guidelines

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

Operating Policies

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

As at December 31, 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", "target", "committed", "priority", "remain", "strategy", or the negative of these terms or other comparable terminology, and by discussions of strategies that involve risks and uncertainties.

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

Readers should be aware that these forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those anticipated or implied, or those suggested by any forward-looking statements, including: the effects, 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 "Risk Management" section at the end of this document 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.

While Killam anticipates that subsequent events and developments may cause Killam's view to change, Killam does not intend to update or revise any forward-looking statement, whether as a result of new information, future events, circumstances, or such other factors that affect this information, except as required by applicable law. The forward-looking statements in this document are provided for the limited purpose of enabling current and potential investors to evaluate an investment in Killam. Readers are cautioned that such statements may not be appropriate and should not be used for any other purpose.

Non-IFRS Financial Measures

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

Non-IFRS Financial Measures

- Funds from operations (FFO) is a non-IFRS financial measure of operating performance widely used by the Canadian real estate industry based on the definition set forth by REALPAC. FFO, and applicable per unit amounts, are calculated by Killam as net income adjusted for fair value gains (losses), interest expense related to exchangeable units, gains (losses) on disposition, deferred tax expense (recovery), unrealized gains (losses) on derivative liability, internal commercial leasing costs, depreciation on an owner-occupied building, interest expense related to lease liabilities, and non-controlling interest. FFO is calculated in accordance with the REALPAC definition. A reconciliation between net income and FFO is included on page 29.
- Adjusted funds from operations (AFFO) is a non-IFRS financial measure of operating performance widely used by the Canadian real estate industry based on the definition set forth by REALPAC. AFFO, and applicable per unit amounts and payout ratios, are calculated by Killam as FFO less an allowance for maintenance capital expenditures ("capex") (a three-year rolling historical average capital investment to maintain and sustain Killam's properties), commercial leasing costs and straight-line commercial rents. AFFO is calculated in accordance with the REALPAC definition. Management considers AFFO an earnings metric. A reconciliation from FFO to AFFO is included on page 31.
- Adjusted cash flow from operations (ACFO) is a non-IFRS financial measure of operating performance widely used by the Canadian real estate industry based on the definition set forth by REALPAC. ACFO is calculated by Killam as cash flow provided by operating activities with adjustments for changes in working capital that are not indicative of sustainable cash available for distribution, maintenance capital expenditures, commercial leasing costs, amortization of deferred financing costs, interest expense related to lease liabilities and non-controlling interest. Management considers ACFO a measure of sustainable cash flow. A reconciliation from cash provided by operating activities to ACFO is included on page 32. ACFO is calculated in accordance with the REALPAC definition.
- Adjusted earnings before interest, tax, depreciation and amortization ("adjusted EBITDA") is calculated by Killam as net income before fair value adjustments, gains (losses) on disposition, income taxes, interest, depreciation and amortization. A reconciliation is included on page 34.
- Normalized adjusted EBITDA is calculated by Killam as adjusted EBITDA that has been normalized for a full year of stabilized earnings from recently completed acquisitions and developments, on a forward-looking basis. A reconciliation is included on page 34.
- Net debt is a non-IFRS measure used by Management in the computation of debt to normalized adjusted EBITDA. Net debt is calculated as the sum of mortgages and loans payable, credit facilities and construction loans (total debt) reduced by the cash balances at the end of the period. The most directly comparable IFRS measure to net debt is debt.

Non-IFRS Ratios

- Interest coverage is calculated by dividing adjusted EBITDA by mortgage, loan and construction loan interest and interest on credit facilities. The calculation is included on page 34.
- Debt service coverage is calculated by dividing adjusted EBITDA by mortgage loan and construction loan interest, interest on credit facilities and principal mortgage repayments. The calculation is included on page 34.
- Per unit calculations are calculated using the applicable non-IFRS financial measures noted above, i.e. FFO, AFFO and/or ACFO, divided by the basic or diluted number of units outstanding at the end of the relevant period.
- Payout ratios are calculated using the distribution rate for the period divided by the applicable per unit amount, i.e. AFFO and/or ACFO.
- Debt to normalized adjusted EBITDA is calculated by dividing net debt by normalized adjusted EBITDA. The calculation is included on page 34.

Supplementary Financial Measure

- Same property NOI is a supplementary financial measure defined as NOI for stabilized properties that Killam has owned for equivalent periods in 2021 and 2020. Same property results represent 85.0% of the fair value of Killam's investment property portfolio as at December 31, 2021. Excluded from same property results in 2021 are acquisitions, dispositions and developments completed in 2020 and 2021, and non-stabilized commercial properties linked to development projects.
- Same property average rent is calculated by taking a weighted average of the total residential rent for the last month of the reporting period, divided by the relevant number of the units per region for stabilized properties that Killam has owned for equivalent periods in 2021 and 2020. For total residential rents, rents for occupied units are based on contracted rent and rents for vacant units are based on estimated market rents if the units were occupied.

Capital Management Financial Measure

- Total debt as a percentage of total assets is a capital management financial measure and is calculated by dividing total debt by total assets, excluding right-of-use assets. This measure is reconciled in Note 26 of the consolidated financial statements.

PART II

Key Performance Indicators

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

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

Financial and Operational Highlights

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

For the years ended December 31,	2021	2020	Change [1]
Operating Performance			
Property revenue	**$290,917**	$261,690	11.2%
Net operating income	**$183,235**	$163,854	11.8%
Net income	**$285,527**	$146,040	95.5%
FFO [2]	**$119,235**	$104,678	13.9%
FFO per unit – diluted [2]	**$1.07**	$1.00	7.0%
AFFO [1]	**$100,438**	$86,816	15.7%
AFFO per unit – diluted [2]	**$0.90**	$0.83	8.4%
Weighted average number of units outstanding – diluted (000s)	**111,626**	104,503	6.8%
Distributions paid per unit [3]	**$0.69**	$0.68	1.5%
AFFO payout ratio – diluted [2]	**76%**	82%	(600) bps
Portfolio Performance			
Same property NOI [2]	**$165,112**	$157,035	5.1%
Same property NOI margin [2]	**62.9%**	62.2%	70 bps
Same property apartment occupancy	**97.2%**	96.7%	50 bps
Same property apartment weighted average rental increase [4]	**3.0%**	3.4%	(40) bps

As at December 31,	2021	2020	Change [2]
Leverage Ratios and Metrics			
Total Debt as a Percentage of Total assets	**45.0%**	44.6%	40 bps
Weighted average mortgage interest rate	**2.58%**	2.69%	(11) bps
Weighted average years to debt maturity	**4.0**	4.6	(0.6) years
Debt to normalized EBITDA [2]	**11.33x**	10.78x	55 bps
Debt service coverage [2]	**1.53x**	1.57x	(4) bps
Interest coverage [2]	**3.53x**	3.36x	17 bps

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

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

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

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

Summary of 2021 Results and Operations

Largest Acquisition Year in Killam's History

In 2021, Killam had a record year for acquisitions, acquiring $399.4 million in properties, bringing its total investment property portfolio to $4.5 billion. Killam added 1,597 apartment units to its portfolio, expanding its geographic diversification, with 78% of acquisitions in 2021 located outside of Atlantic Canada, principally in Ontario and Alberta. Killam's geographic diversification strategy is succeeding, as the percentage of NOI generated outside of Atlantic Canada is now 33%, up from 32% in 2020.

Delivered FFO per Unit Growth of 7.0% and AFFO per Unit Growth of 8.4%

FFO per unit was $1.07 in 2021, a 7.0% increase from $1.00 in 2020, and AFFO per unit increased 8.4% to $0.90, compared to $0.83 in 2020. The growth in FFO and AFFO were primarily 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 6.8% increase in the weighted average number of units outstanding.

Revenue Gains Drive Same Property NOI Growth of 5.1%

Killam achieved 5.1% same property NOI growth during the year, with a 4.1% increase from the apartment portfolio, a 17.6% increase from the commercial portfolio and a 9.3% increase from the MHC portfolio. Revenue growth of 4.0% was driven by rental rate growth from all three business segments along with a 50 bps increase in apartment occupancy. Operating expense growth remained modest as operating and energy efficiencies, lower utility costs and successful property tax assessment appeals helped mitigate inflationary cost pressures.

Strong Rent Growth and Cap-rate Compression Support $240 Million in Fair Value Gains

Killam recorded $239.7 million in fair value gains related to its investment properties in 2021, supported by cap-rate compression across most of the regions in which Killam operates, most notably in New Brunswick and Ontario, as well as robust NOI growth driven by strong apartment fundamentals. Killam's weighted average cap-rate for its apartment portfolio as at December 31, 2021 was 4.41%, a 26 bps reduction from December 31, 2020.

Invested in Substantial Development Activity

Killam advanced its development pipeline, completing one 38-unit project early in 2021 (which is fully occupied) and investing an additional $73.0 million in its five active development projects. These projects total 685 units (497 units representing Killam's percentage ownership) for a total investment of $238.8 million. Four of the active projects are expected to be completed in 2022.

Lower Interest Rates Contributed to Earnings Growth

Killam benefited from lower interest rates on mortgages refinanced in 2021. During the year, Killam refinanced $132.0 million of maturing mortgages with $184.5 million of new debt at a weighted average interest rate of 2.13%, 24 bps lower than the weighted average interest rate of the maturing debt. Lower interest expense on Killam's same property portfolio contributed to FFO per unit growth in 2021.

Substantial Advancement in Environmental, Social and Governance (ESG) Focused Initiatives

Killam continues to reduce its environmental impact and ensure its buildings are sustainable and resilient to climate change. In 2021, Killam invested $8.2 million in energy projects, which included $1.9 million in geothermal installations at three of its development projects. As well, Killam installed photovoltaic solar panels, modern boilers, heat pumps and electricity and water conservation measures. Killam also introduced building certifications at its properties with a focus on health living standards in 2021 benefiting both Killam and its tenants.

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

Strategic Targets

Growth in Same Property NOI	
2021 Target	Same property NOI growth over 2.0%.
2021 Performance	Killam exceeded its target, achieving 5.1% same property NOI growth in 2021.
2022 Target	Same property NOI growth averaging 2.0% – 3.0%.
Longer-Term Target	Same property NOI growth averaging 2.0% – 4.0%.

Expanded Portfolio	
2021 Target	Complete a minimum of $100 million in acquisitions.
2021 Performance	Killam exceeded its target, completing $399.4 million in acquisitions during 2021.
2022 Target	Complete a minimum of $150 million in acquisitions.
Longer-Term Target	Grow the portfolio to over $6.0 billion by the end of 2025.

Geographic Diversification	
2021 Target	Earn at least 32% of 2021 NOI outside Atlantic Canada.
2021 Performance	Killam exceeded its target, generating 33% of 2021 NOI outside Atlantic Canada.
2022 Target	Earn at least 35% of 2022 NOI outside Atlantic Canada.
Longer-Term Target	Earn at least 40% of NOI outside Atlantic Canada by 2025.

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	The 38-unit development, 10 Harley, reached substantial completion in March 2021, and the Governor broke ground at the beginning of 2021. The 128-unit development, The Kay, originally expected to be completed in Q4-2021, is now expected to be completed in April 2022.
2022 Target	To complete construction of four buildings and break ground on two additional developments in 2022.
Longer-Term Target	To complete a minimum of $350 million in developments between 2022 and 2025.

Strengthened Balance Sheet	
2021 Target	Maintain debt as a percentage of total assets ratio below 47%.
2021 Performance	Killam achieved its target, as debt as a percentage of total assets was 45.0% as at December 31, 2021.
2022 Target	Maintain debt as a percentage of total assets ratio below 45%.
Longer-Term Target	Reduce debt as a percentage of total assets below 40% by the end of 2025.

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	Killam exceeded its target, investing $8.2 million in energy-efficiency initiatives.
2022 Target	Minimum investment of $8.0 million in energy initiatives in 2022.
Longer-Term Target	Reduce Killam's GHG emissions by 15% by 2030, and produce a minimum of 10% of the portfolio's electricity through renewable sources by 2025.

Outlook

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

In 2021, Atlantic Canada saw a record number of people moving to the region, including an increase in net interprovincial migration. In the first and second quarters of 2021, net interprovincial migration to the Atlantic region was higher than 2019 and 2020 combined. The surge in the second quarter alone was the largest since 1961, when data collection began. More than half (55%) of Canadians who migrated to Atlantic Canada in Q2-2021 settled in Nova Scotia, with Halifax being the fastest-growing city (Census Metropolitan Area) in the country in 2021 in terms of population. A longer-term trend of population growth in Atlantic Canada is expected to be positive for Killam's portfolio.

Acquisition Capacity of Over $400 Million
Following a successful equity raise that closed on February 4, 2022, Killam has access to over $200 million in capital through its credit facilities and cash on hand, which could support over $400 million in future acquisitions. With an active acquisition pipeline, Killam has targeted over $150 million of acquisitions in 2022.

$169 Million of Developments Expected to be Completed in 2022
Development remains an important component of Killam's growth strategy, and Killam expects to complete $169 million in development projects in 2022. Latitude, located in Ottawa, opened to tenants in January 2022 and is 34% leased. The Kay, located in Mississauga, is expected to open in the second quarter of 2022, and is currently 29% pre-leased. The completion and stabilization of the developments underway will contribute positively to Killam's future FFO per unit growth. In addition, Killam has almost 4,000 units in its pipeline for future development.

Continued Expansion of Unit Repositioning Program
Management is committed to Killam's unit repositioning program, completing 551 repositions in 2021, and plans to expand the program to over 600 units in 2022. In addition, Killam is improving repositioning efficiencies and targeting improved performance metrics, including the percentage of repositionings completed in 28 days. Unit repositionings represent unit upgrades costing more than $10,000, and Killam targets a return on investment (ROI) of at least 10%. Killam has been successful and will continue to mitigate construction cost increases through the use of bulk purchasing of renovation products, as well as the use of in-house labour. Killam has over 5,500 units that are eligible for repositioning as they come vacant.

Investments in Energy-Efficiency Programs to Reduce CO_2 Emissions and Mitigate Rising Operating Costs
Investments in energy and water-saving initiatives, and operational efficiencies, are expected to continue reducing Killam's energy consumption and help offset rising operating costs, including property taxes and insurance. Management expects to invest a minimum of $8.0 million in energy-related projects in 2022. These projects should contribute to same property NOI growth by lowering consumption and also improve Killam's sustainability metrics.

Rising Interest Rates
Killam has $162.1 million of mortgages maturing in 2022, with an average interest rate of 2.81%. Interest rates are forecasted to rise in 2022; however, Management has diversified Killam's mortgages to avoid dependence on any one lending institution and has staggered maturity dates to mitigate interest rate risk. Killam's mortgage maturity schedule is included on page 35. Killam is also focused on reducing its debt levels with a longer-term target of maintaining debt to total assets less than 40% by the end of 2025.

Increasing Risk of Inflation, Higher Commodity Pricing and Increasing Property Taxes
Killam monitors inflation closely given the risk of increasing operating and capital costs in an inflationary environment, especially increased commodity pricing. With approximately 58% of units heated with natural gas, fluctuations in natural gas pricing impacts Killam's operating costs. Domestic and international natural gas markets have continued to experience cost pressures in early 2022. The fixed component of Killam's natural gas cost represents 48% of total costs, which partially mitigates its exposure to volatile natural gas pricing. Additionally, Killam has pricing agreements in place for an additional 9% of total costs, limiting exposure to uncertain pricing for 57% of its natural gas costs. Killam continues to invest in energy-efficiency projects targeted at reducing consumption. In addition, Killam has received property tax assessments for 2022 from the Province of New Brunswick with an average increase of 23%. This would impact property tax expense in this region and Killam has submitted assessment appeals for all of these properties.

Positive Same Property NOI Expected
Despite inflationary pressures, Killam expects top-line revenue growth to drive same property NOI growth in 2022. Management's target for NOI growth in 2022 is 2.0%–3.0%.

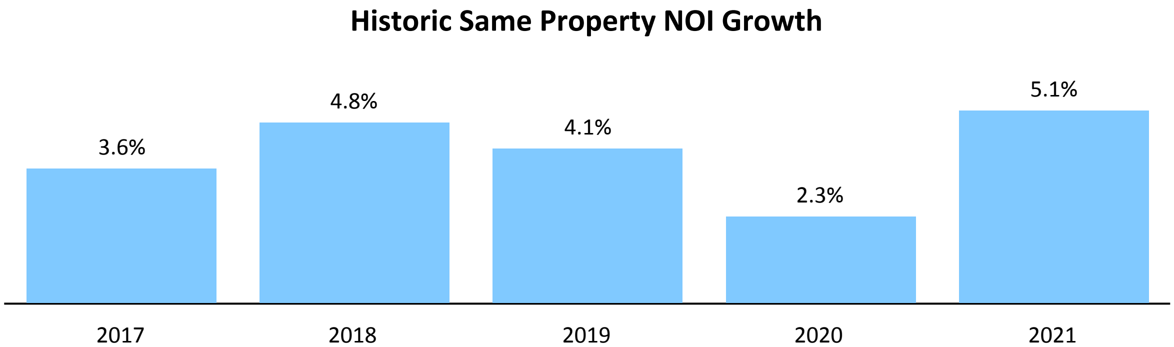
PART III

Business Strategy

Increase Earnings From the Existing Portfolio

Killam increases the value of its portfolio by maximizing revenue and managing expenses. To achieve NOI growth, Killam must manage three critical factors: occupancy, rental rates and operating costs. Killam focuses on providing superior employee training and customer service, using technology and analytics to drive leasing and marketing, and completing unit renovations and repositionings to maximize revenue on unit turnover. Operating cost management is focused on energy efficiencies, technology investments, economies of scale, risk management, and staff and tenant education.

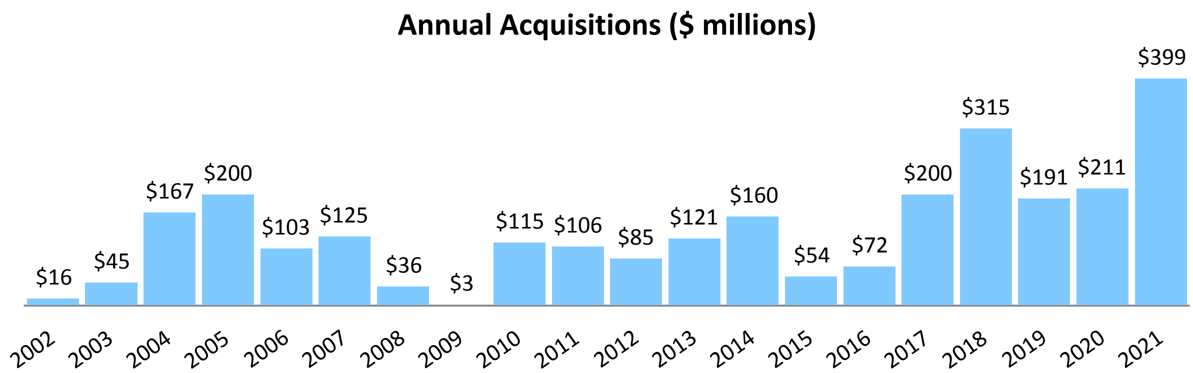
Killam has increased same property NOI by an average of 2.9% per annum over the past decade; in the last five years, Killam has averaged 4.0% growth.



Expand the Portfolio through Acquisitions

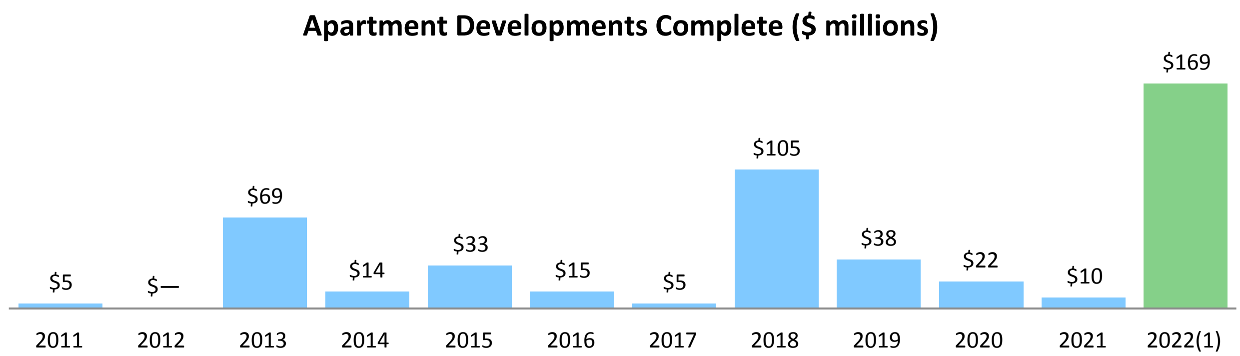
Killam is expanding its portfolio by acquiring well located assets in Ontario, Alberta and British Columbia, and continuing to add to its established portfolio in Atlantic Canada. Acquisition activity varies by year depending on opportunities and access to capital. In 2021, Killam acquired $399.4 million in assets, a record year for acquisition growth.

Killam owns and operates one of Canada's newest apartment portfolios. These properties require less maintenance capital to operate and are generally preferred by tenants. Killam also acquires well-maintained, well located, older properties that offer attractive earnings potential.



Develop High-Quality Properties in Core Markets

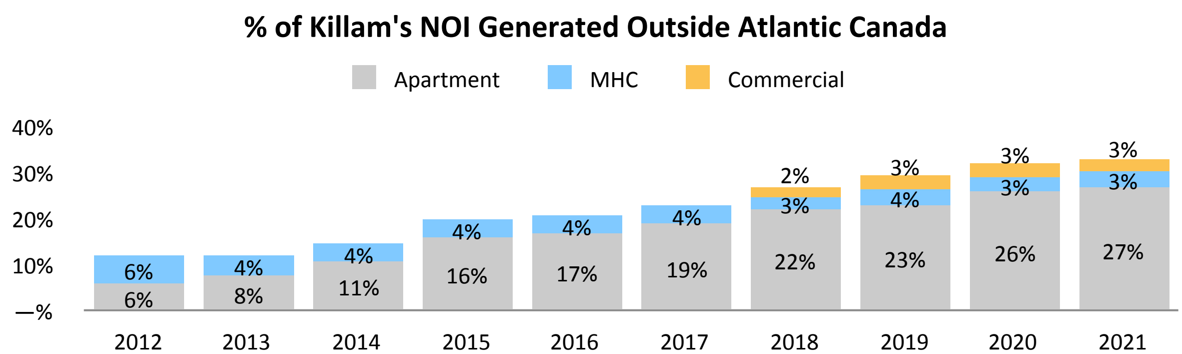
Killam enhances its organic and acquisition growth with development. Killam started developing apartment properties in 2010 and has completed thirteen projects to date, investing $316 million to construct approximately 1,300 units. Killam has an experienced development team who hold architectural and engineering degrees and oversee all projects. New property construction enables Killam to control the quality and features of its buildings. Killam targets yields of 4.0%–5.0% on development, and expects to build at a 50–150 bps discount to the market capitalization rates ("cap-rates") on completion, creating value for its unitholders. Killam currently has a development pipeline of approximately 4,000 units.



(1) Developments expected to be completed in 2022.

Diversify Geographically Through Accretive Acquisitions

Geographic diversification is a priority, and Killam is focused on increasing the amount of its NOI generated outside Atlantic Canada. Killam is targeting expansion in select markets, such as Ottawa, the Greater Toronto Area, Southwestern Ontario, Calgary, Edmonton and Victoria. Killam's strong operating platform can support a larger and more geographically diverse portfolio. Increased investment in Ontario and Western Canada will enhance Killam's diversification and exposure to the urban centres in Canada, that traditionally have higher rates of population growth.



Committed to ESG

Killam's core values of *Build Community* and *Do the Right Thing* guide its commitment to ESG programs and initiatives. Killam believes that effective corporate governance is critical to its continued and long-term success and contributes to maximizing unitholder value. The Trustees know that commitment to sound governance practices is in the best interest of Killam stakeholders and contributes to effective and efficient decision-making.

Killam has a long history of investing in energy efficiencies. Starting in 2016, Killam commenced a five-year, $25.0 million energy-efficiency program, focused on reducing its greenhouse gas emissions, gaining operating efficiencies and lowering operating costs. In the past five years, Killam's green projects include the installation of solar panels, installation of electric vehicle (EV) chargers, air-sealing apartment units, installation of low-flow toilets and LED lighting retrofits across the entire apartment portfolio. This is in addition to the installation of solar, EV chargers and geothermal heating systems in new development projects. Killam has identified over $30.0 million of energy-efficiency projects throughout its portfolio and is committed to investing annually in the program.

Giving back has always been an important part of being a responsible corporate citizen at Killam. Killam invests in its communities through various programs and initiatives, including partnering with non-profit housing agencies to provide more than 750 subsidized apartment units throughout its portfolio. The focus on fostering a sense of community is a priority at Killam.

Killam is also committed to providing a supportive and inclusive workplace for all employees. Employees are encouraged to develop their full potential and use their unique talents, maximizing the efficiency of Killam’s teams. Killam recognizes the enrichment that comes from employee diversity and inclusion, including a strengthened corporate culture, improved employee retention and the benefit of different perspectives and ideas.

Killam’s ESG Oversight Committee provides guidance and ensures the integration of ESG into Killam’s strategic objectives. In addition, management regularly reports progress against ESG targets to the Board’s Governance and ESG Committee.

Sustainability Policy

Killam has a sustainability policy detailing its commitment to ESG practices. The policy applies to all Killam employees, and it is supported by the Governance and ESG Committee and approved by the Board of Trustees. The following outlines Killam’s commitment to ESG, through its ESG policy:

- Invest in new technology and initiatives to increase sustainability and lower its carbon footprint across the portfolio with a focus on reducing waste, greenhouse gas emissions and water usage.
- Support and invest in its employees through training and development opportunities and providing access to a safe and positive workplace.
- Provide outstanding customer service and a sense of community at its properties.
- Support community initiatives in the communities in which it operates, with an emphasis on affordable housing.
- Establish and implement robust governance policies and practices.
- Report annually on its ESG programs, new initiatives and performance against targets.
- Review its annual ESG benchmark ratings (from various industry bodies) and target areas for improvement each year.

Killam's 2021 ESG Progress

Killam made solid progress towards all of its ESG targets in 2021. With the $8.2 million invested in energy-efficiency projects, including both solar photovoltaic and geothermal heating and cooling installations, Killam will reap the benefits of reduced energy consumption and reduced greenhouse gas emissions in the years to come.

Piloting building and healthy-living certifications was a focus for 2021. Ensuring its buildings have the best operating and healthy living standards for Killam’s residents is inherent with these certification practices, and Killam recognized many benefits from implementing these certifications. Killam will continue to pursue additional building certifications each year.

Killam is very proud of its employees and teams across the country. In 2021, Killam conducted its bi-annual diversity survey in partnership with the Canadian Centre of Diversity and Inclusion. This third-party partner assisted in benchmarking and analyzing the results. The survey results indicate notable increases in the representation of racialized and indigenous persons, persons with a disability as well as those who identify as LGTBQ2+. Killam continues to develop and foster a more diversified employee base across the company. As well, Killam increased paid annual volunteer days from one to three days, with frequently communicated opportunities to encourage employees to volunteer in their communities.

Killam recognizes that housing affordability is a challenge in Canada and is committed to doing its part. With acquisitions in Calgary and Charlottetown this year, Killam increased its affordable housing suites by 14%, ending 2021 with approximately 850 affordable suites. We are very pleased to report that despite the on-going challenges of the pandemic, Killam achieved a strong 86% resident satisfaction score for 2021, which was performed by Narrative Research, a third-party provider.

As well, it was a successful year with an increase in our GRESB rating, for which Killam earned a green, two-star designation for its 2021 real estate assessment. Since its initial participation in GRESB in 2019, Killam has achieved a 40% score improvement. Killam also earned a GRESB Public Disclosure survey rating of “A”, outperforming both its GRESB-determined comparison group and global ratings.

Finally, Killam reported that its ESG information aligned with the Sustainability Accounting Standards Board standards for the first time in Killam’s 2021 ESG Report. It has also started on its climate change journey, reporting under the Task Force on Climate-Related Financial Disclosure framework and with a commitment to increasing its climate change initiatives and disclosure in the coming years.

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

Portfolio Summary

The following table summarizes Killam's apartment, MHC and commercial portfolios by market as at December 31, 2021:

Apartment Portfolio				
	Units (1)	**Number of Properties**	**NOI ($) (2)**	**NOI (2) (% of Total)**
Nova Scotia				
Halifax	5,816	65	$59,047	32.2%
Sydney	139	2	$1,281	0.7%
	5,955	67	$60,328	32.9%
New Brunswick				
Moncton	2,246	39	$16,002	8.8%
Fredericton	1,529	23	$12,204	6.7%
Saint John	1,202	14	$7,059	3.9%
Miramichi	96	1	$672	0.4%
	5,073	77	$35,937	19.8%
Ontario				
Ottawa	1,216	9	$10,435	5.7%
London	523	5	$5,493	3.0%
Kitchener-Waterloo-Cambridge-GTA	1,603	10	$15,170	8.3%
	3,342	24	$31,098	17.0%
Newfoundland & Labrador				
St. John's	955	13	$6,967	3.8%
Grand Falls	148	2	$781	0.3%
	1,103	15	$7,748	4.1%
Prince Edward Island				
Charlottetown	1,163	24	$8,286	4.5%
Summerside	86	2	$591	0.3%
	1,249	26	$8,877	4.8%
Alberta				
Calgary	764	4	$6,438	3.6%
Edmonton	882	6	$6,683	3.6%
	1,646	10	$13,121	7.2%
British Columbia				
Victoria	317	2	$4,947	2.7%
Total Apartments	**18,685**	**221**	**$162,056**	**88.5%**

Manufactured Home Community Portfolio				
	Sites	**Number of Communities**	**NOI ($) (2)**	**NOI (2) (% of Total)**
Nova Scotia	2,749	17	$4,964	2.7%
Ontario	2,284	17	$5,964	3.3%
New Brunswick (3)	672	3	$424	0.2%
Newfoundland & Labrador	170	2	$402	0.2%
Total MHCs	**5,875**	**39**	**$11,754**	**6.4%**

Commercial Portfolio (4)				
	Square Footage (5)	**Number of Properties**	**NOI ($) (2)**	**NOI (2) (% of Total)**
Prince Edward Island (5)	383,222	1	$2,266	1.2%
Ontario	306,106	1	$4,755	2.6%
Nova Scotia (6)	218,829	5	$1,963	1.1%
New Brunswick	33,215	1	$441	0.2%
Total Commercial	**941,372**	**8**	**$9,425**	**5.1%**
Total Portfolio		**268**	**$183,235**	**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 year ended December 31, 2021.
(3) Two of Killam's New Brunswick MHC communities have seasonal operations, which typically commence in mid-May and run through the end of October.
(4) Killam also has 181,117 square feet of ancillary commercial space in various residential properties across the portfolio, which is included in apartment results.
(5) Square footage represents 100% of the commercial property located in PEI. In Q2-2021, Killam acquired an additional 25% interest, increasing its ownership percentage to 75%. Killam also took over property management of the asset.
(6) Square footage includes Killam's 50% ownership interest in two office properties, that are third-party managed.

Unique Portfolio Features

Atlantic Canada's Market Leader
Killam is the largest multi-residential property owner in Atlantic Canada, which provides advantages, including brand recognition, a diverse selection of apartments in each city, improved operating margins from economies of scale and the ability to attract and retain top management talent.

Diversified Exposure to Rent Control
Approximately 36% of Killam's portfolio is not impacted by rent control restrictions, which provides Killam the opportunity to move rents to market rates in these regions. There is no rent control in New Brunswick, Newfoundland and Alberta. Killam is also not restricted on rental increases for its commercial or seasonal resort properties.

Prince Edward Island
Prince Edward Island, representing 5.5% of Killam's apartment NOI, is the only province in Atlantic Canada with permanent rent control for apartments. The government announced a maximum allowable rental increase of 1.0% for 2022.

Nova Scotia
Killam's Nova Scotia portfolio accounts for 37.2% of apartment NOI. Although Nova Scotia doesn't have permanent rent control, in November 2020, the province announced a temporary rent restriction measure, limiting rental increases on lease renewals to 2.0% to address the economic impact of the COVID-19 pandemic. These temporary measures are in place until the end of 2023. Nova Scotia has rent control for MHCs; however, it does not apply on turnover.

Ontario
Killam's Ontario portfolio, accounting for 19.2% of apartment NOI, is subject to rent control. In response to the COVID-19 pandemic, the Ontario government passed legislation to freeze rents at 2020 levels in 2021 and capped rental rate increases at 1.2% for 2022. However, property owners can move rents to market on a unit-by-unit basis as they become vacant. Rent control also does not apply to new construction in Ontario completed after November 25, 2018. Ontario has rent control for MHCs; however, like PEI, it does not apply on turnover.

British Columbia
Killam's newest market, British Columbia, making up 3.1% of Killam's apartment NOI, also has rent control, and the government announced a maximum allowable rental increase of 1.5% for 2022.

In all of the regions impacted by permanent rent control, owners may apply for above-guideline increases (AGIs) to offset significant capital expenditures. Killam analyzes each property on a regular basis, considering its location, tenant base and vacancy, to evaluate the ability to optimize rents on renewals and on turns.

CMHC-Insured Debt Available for Killam's Apartment Portfolio
Apartment owners are eligible for CMHC mortgage loan insurance. These policies eliminate default risk for lenders, resulting in lower interest rates than those available for conventional mortgages. Approximately 75% of Killam's apartment debt is currently CMHC-insured. As mortgages are renewed and new properties are financed, Killam expects to increase the percentage of apartment mortgages with CMHC-insured debt. CMHC insurance is not available for commercial properties or the owners of MHCs; however, CMHC financing is available to manufactured home owners, increasing the affordability of these manufactured homes.

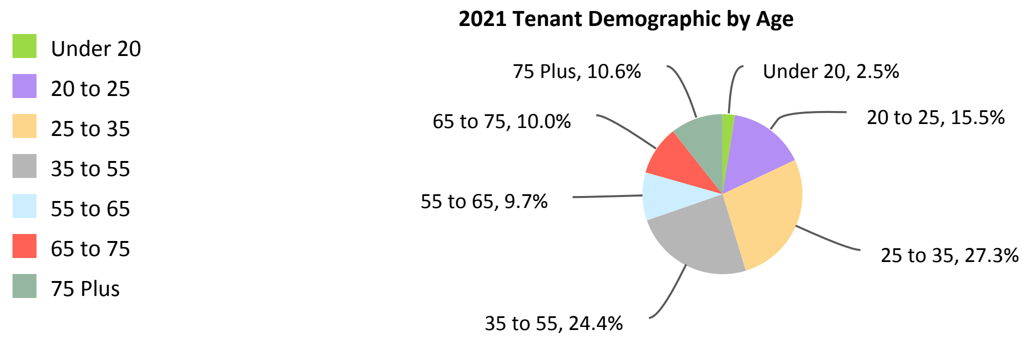
A Focus on Affordable Housing
Killam has continued to increase its affordable housing initiatives. In 2021, Killam added 108 units to its portfolio, with 78 of those units at Nolan Hill, with rents at 70% of market rate through CMHC's Rental Construction Financing initiative, a National Housing Strategy program. The remaining 30 affordable units were added through an acquisition with a provincial affordable housing agreement. This brings Killam's total number of affordable units to approximately 850, or approximately 5% of its apartment portfolio. Killam's MHC portfolio also provides an affordable living alternative for a single-family home, with average monthly land rent at permanent MHCs of $283 per site. Killam has a 2025 goal to increase its number of affordable apartment units by 20%, from its base of 750 in 2020.

Focused on Customer Service
Annually, Management engages an independent market research firm to measure tenants' satisfaction through an online survey (4,004 respondents in 2021). Killam's 2021 survey results support its focus on service, with tenants giving Killam an impressive 86% satisfaction rating. Killam takes pride in offering tenants well-maintained properties, responding to service requests in a timely manner and providing an attractive housing value proposition. In-house educational programs and adoption of new technology enhance employees' skills to better provide exemplary service to current and prospective tenants.

Geographic Diversification
Killam is focused on increasing its geographic diversification through the acquisition and development of properties in its core markets in Ontario, Alberta and British Columbia. Killam's Ontario apartment portfolio consists of 3,342 apartment units, up from 225 units in 2010 when Killam first entered the market, and includes properties in Ottawa, Toronto, London, and Kitchener-Waterloo-Cambridge. Killam owns a portfolio of 1,646 units in Calgary and Edmonton, adding 233 units to its Calgary portfolio in Q1-2021 and 303 units to its Edmonton portfolio in Q4-2021. In January 2020, Killam acquired its first apartment property in Greater Victoria and now owns 317 units in the province. In addition to apartments, 39% of Killam's MHC sites and 33% of Killam's commercial square footage is located in Ontario.

Mark-to-Market Rent Opportunity
Management estimates market rental rates are approximately 10-15% higher than Killam's total apartment weighted average rent. Killam's weighted average rental rate was approximately $1.44 per square foot for the year ended December 31, 2021. The differential between market and in-place rents reflects Killam's relative affordability within its markets, as well as opportunities for rental increases when natural turnover arises.

Diverse Tenant Demographics Contribute to Stable Occupancy
Killam's tenant base includes a diverse mix of tenants, including young professionals, seniors, empty nesters, families, and students. The diversity of Killam's tenant base is expected to contribute to continued stable occupancy. The following chart illustrates Killam's 2021 tenant demographic by age.



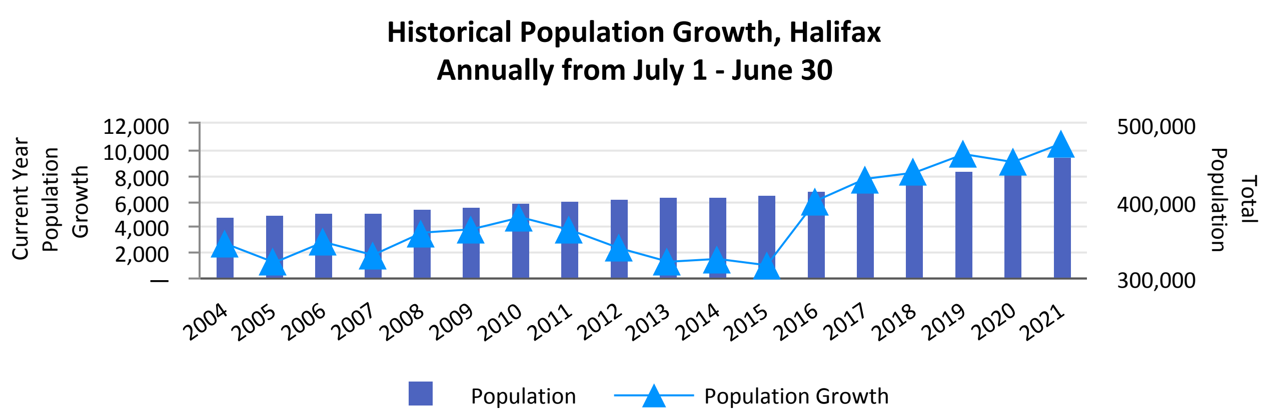
Core Market Update

Halifax
Thirty-two percent of Killam's NOI is generated by its Halifax apartment properties. Halifax is the largest city in Atlantic Canada and is home to 17% of Atlantic Canadians. The city's rental market totals 55,860 units, with an additional 6,600 rental units currently under construction. Halifax's diverse economy generates 56% of Nova Scotia's GDP and is home to 42% of the province's population. With six degree-granting universities and three large community college campuses, Halifax has approximately 41,000 full-time students, including 7,600 international students. Halifax's employment base is diversified, with the largest sectors focused on public service, health care, education, and retail and wholesale trade. Halifax is home to the largest Canadian Forces Base by number of personnel, and the Department of National Defence is the city's largest single employer.

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

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

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

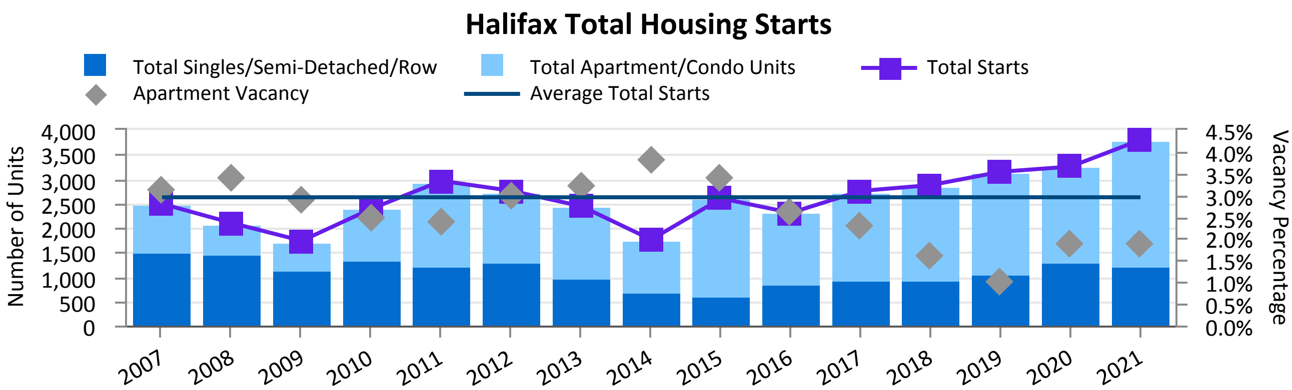


Source: Statistics Canada

Halifax's population growth has been growing by approximately 2.0% a year since 2016, primarily driven by immigration and urbanization. Halifax is one of Canada's fastest-growing cities, second only to Oshawa. Nova Scotia as a whole is benefiting from increased population growth. Statistics Canada reported that during the first quarter of 2021, 5,696 people moved to Nova Scotia, and the population grew by 2,877, the largest increase in a first quarter in fifty years. RBC's December 2021 Provincial Outlook expects momentum to slow slightly in 2022, with forecasted GDP growth of 2.5%, compared to the projected 4.0% in 2021, as the economy hits capacity constraints. However, stronger population growth, residential investment and growing export opportunities provide scope for the provincial economy to expand.

In response to an increasing population, there has been an increase in housing starts over the last five years. Despite this increase, housing price increases were up by 22.2% in December 2021 compared to December 2020, Killam's Halifax apartment vacancy rate were at record lows, and market rents continue to increase.

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



Source: CMHC

New Brunswick

Twenty percent of Killam’s NOI is generated by apartments in New Brunswick's three major urban centres – Fredericton, Moncton and Saint John. Fredericton is the provincial capital and home to the province's largest university, and a significant public-sector workforce. Moncton is the province's largest city and is a transportation and distribution hub for Atlantic Canada. New Brunswick saw a significant increase in net migration from other provinces during the pandemic, as noted in Scotiabank's January 2022 Provincial Analysis, the vast majority from Ontario. New Brunswick saw an increase in both immigration and net interprovincial migration in the last six years, leading to population growth in the province and its core cities. According to RBC's December 2021 Provincial Outlook, New Brunswick's outlook for 2022 is positive, with expected growth of 4.1% 2021 and 2.6% in 2022, which is expected to more than reverse the 3.2% decline in 2020. RBC reports New Brunswick's economic growth is expected to remain strong as lumber and energy exports, demand for housing, and tourism continue to drive growth. Moncton, Fredericton and Saint John represent 8.8%, 6.7% and 3.9% of Killam's 2021 NOI, respectively.

St. John's, Newfoundland

Four percent of Killam’s NOI is generated in St. John's, Newfoundland. RBC's December 2021 Provincial Outlook reported that Newfoundland's economy is projected to have a more delayed recovery from the 2020 downturn, compared to other provinces, as the projected 3.0% GDP growth rate in 2021 and 2.5% in 2022 will come up short of the province fully recovering. Newfoundland's oil production volumes soared in 2020, but the momentum did not continue in 2021, with production falling by 7.4%. However, higher mineral production, retail sales growth and rebounding tourism will drive economic growth in 2022.

Prince Edward Island

The Charlottetown apartment market accounted for 5% of Killam’s total NOI in 2021. According to RBC’s December 2021 Provincial Outlook report, PEI’s economy appears to have fully recovered to pre-pandemic levels in 2021, with economic growth projected to be 3.6% in 2021. In 2022, strong residential investment, further recovery in the manufacturing sector and consumer spending are expected to drive GDP growth at a rate of 2.7%. Prince Edward Island and Charlottetown are seeing strong population growth driven by immigration and net interprovincial migration.

Ontario

Killam's Ontario apartment portfolio generated 17% of NOI in 2021. RBC’s December 2021 Provincial Outlook reported Ontario's projected growth to be 4.4% for 2021 and 2022, as a slower re-opening and residents migrating to other provinces was more than offset by high vaccination rates leading to strong spending power, as residents returned to restaurants, gyms and events throughout the year. Despite this growth, Ontario did not see full recovery in 2021, due to ongoing supply chain disruption issues; however, full recovery is expected for 2022 as supply chain issues ease and consumer spending continues to expand.

Alberta

Seven percent of Killam's NOI was earned in Alberta. RBC's December 2021 Provincial Outlook reported Alberta experienced a significant recovery with the rebound of the oil and gas markets, projecting GDP growth of 5.9% for 2021. Alberta has not fully recovered to pre-pandemic levels, after the nearly 8.0% decline in GDP in 2020.

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

Recovery of Alberta's economy is expected to take longer than most Canadian provinces, while 4.7% growth is projected for 2022, RBC predicts it could take until 2023 to fully reverse 2020's damage. Increased oil production and capital investments into the energy sector, increased housing starts and recovery of the agricultural sector are expected to have positive impacts on the economy in 2022.

British Columbia
Killam earned 3% of NOI in the British Columbia market. RBC's December 2021 Provincial Outlook reported British Columbia having one of the stronger recoveries in Canada for 2021, despite the series of natural disasters that struct the province, with 5.6% GDP growth. Growth for 2022 is predicted to remain strong, forecasted at 4.2%, with the wider re-opening of the Canadian boarder contributing to renewed immigration and tourism, leading to increased consumption and investment. Net migration from other provinces reached a 25-year high during the pandemic, RBC expects a sharp rise in immigration in 2022 will boost population growth to pre-pandemic levels.

PART IV

2021 Financial Overview

Consolidated Results

For the years ended December 31,

	Total Portfolio			Same Property [1]			Non-Same Property		
	2021	2020	% Change	**2021**	2020	% Change	**2021**	2020	% Change
Property revenue	**$290,917**	$261,690	11.2%	**$262,439**	$252,318	4.0%	**$28,478**	$9,372	203.9%
Property operating expenses									
General operating expenses	**47,482**	42,418	11.9%	**42,931**	41,140	4.4%	**4,551**	1,278	256.1%
Utility and fuel expenses	**24,683**	23,240	6.2%	**22,721**	22,764	(0.2)%	**1,962**	476	312.2%
Property taxes	**35,517**	32,178	10.4%	**31,675**	31,379	0.9%	**3,842**	799	380.9%
Total operating expenses	**$107,682**	$97,836	10.1%	**$97,327**	$95,283	2.1%	**$10,355**	$2,553	305.6%
NOI	**$183,235**	$163,854	11.8%	**$165,112**	$157,035	5.1%	**$18,123**	$6,819	165.8%
Operating margin %	**63.0%**	62.6%	40 bps	**62.9%**	62.2%	70 bps	**63.6%**	72.8%	(920) bps

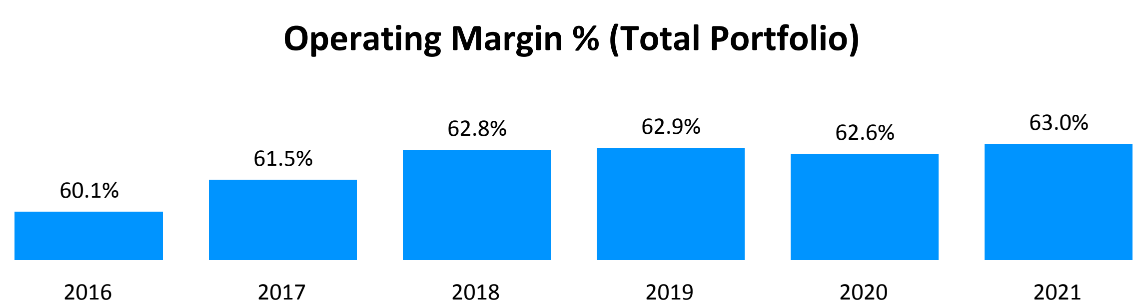
(1) Same property results excludes acquisitions and developments completed during the comparable 2021 and 2020 periods, which are classified as non-same property. For the year ended December 31, 2021 NOI contributions from acquisitions and developments completed in 2020 and 2021 were $11.1 million and $7.0 million. For the year ended December 31, 2020, NOI contributions from acquisitions and developments completed in 2020 was $6.8 million.

Killam achieved strong overall portfolio performance for the year ended December 31, 2021. This strength, along with contributions from acquisitions and developments, resulted in 11.8% NOI growth for the year.

Same property results include properties owned during comparable 2021 and 2020 periods and represent 85.0% of the fair value of Killam's investment property portfolio as at December 31, 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% for the year ended December 31, 2021, as compared to the same period of 2020. This growth was driven by a 50 bps increase in apartment occupancy, rental rate growth, increased seasonal operations at Killam's resort communities and growth in commercial revenues.

Total same property operating expenses increased 2.1% for the year ended December 31, 2021. The 4.4% increase in general operating expenses driven by inflationary pressures was mitigated somewhat by a small 90 bps increase in property taxes as a result of successful appeals, and a 0.2% decrease in utility and fuel expenses. The year-over-year decrease in utility and fuel costs was driven by reduced consumption due to energy-efficiency projects, decreases in natural gas pricing in New Brunswick, warmer-than-average temperatures during the first quarter of 2021, and a decrease in the inclusion of unit electricity as part of the monthly rent. Overall, same property NOI grew by 5.1% for the year ended December 31, 2021.



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

Apartment Results

For the years ended December 31,

	Total			Same Property			Non-Same Property		
	2021	2020	% Change	**2021**	2020	% Change	**2021**	2020	% Change
Property revenue	**$254,955**	$228,915	11.4%	**$228,012**	$220,162	3.6%	**$26,943**	$8,753	207.8%
Property operating expenses									
General operating expenses	**39,699**	35,077	13.2%	**35,602**	33,974	4.8%	**4,097**	1,103	271.4%
Utility and fuel expenses	**21,866**	20,537	6.5%	**20,081**	20,101	(0.1)%	**1,785**	436	309.4%
Property taxes	**31,334**	27,961	12.1%	**27,815**	27,310	1.8%	**3,519**	651	440.6%
Total operating expenses	**$92,899**	$83,575	11.2%	**$83,498**	$81,385	2.6%	**$9,401**	$2,190	329.3%
NOI	**$162,056**	$145,340	11.5%	**$144,514**	$138,777	4.1%	**$17,542**	$6,563	167.3%
Operating margin %	**63.6%**	63.5%	10 bps	**63.4%**	63.0%	40 bps	**65.1%**	75.0%	(990) bps

Apartment Revenue

Total apartment revenue for the year ended December 31, 2021, was $255.0 million, an increase of 11.4% over the same period of 2020. Revenue growth was augmented by contributions from recently acquired and developed properties. Same property apartment revenue increased 3.6% for the year ended December 31, 2021, driven by increased rental rates and a 50 bps increase in occupancy during the year. Strong revenue growth contributed to a 10 bps operating margin expansion on Killam's apartment portfolio. The operating margin on Killam's same property apartment portfolio was up 40 bps to 63.4%.

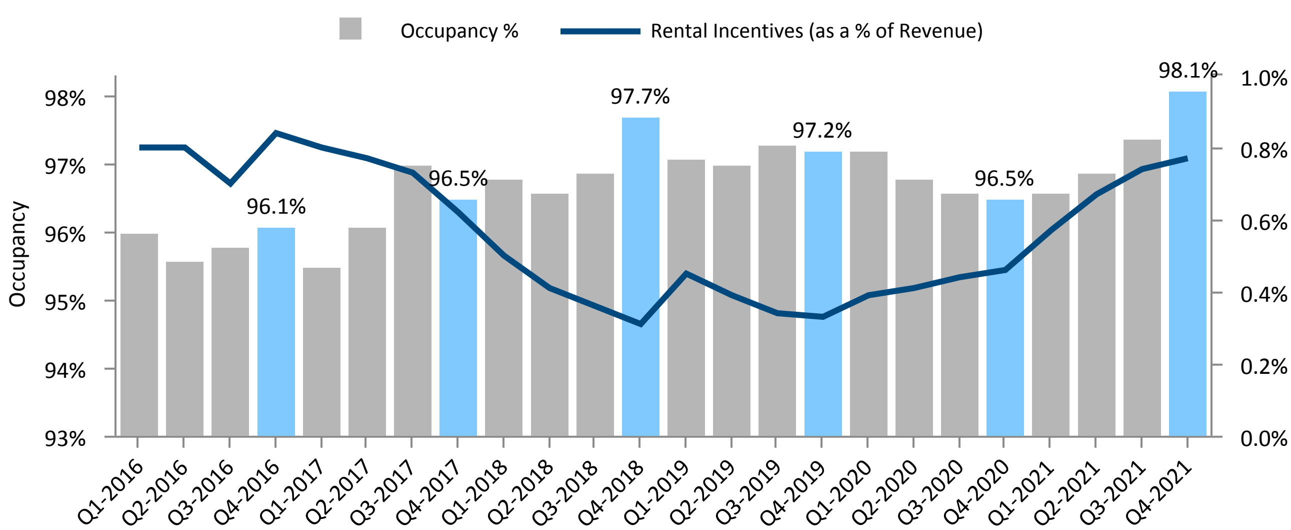
Dollar amounts in thousands of Canadian dollars (except as noted)

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

		Total Occupancy			Same Property Occupancy		
For the years ended December 31,	# of Units	**2021**	2020	Change (bps)	**2021**	2020	Change (bps)
Nova Scotia							
Halifax	5,816	**98.2%**	97.8%	40	**98.2%**	97.8%	40
Ontario							
Ottawa	1,216	**94.0%**	94.1%	(10)	**94.0%**	94.1%	(10)
London	523	**97.3%**	96.8%	50	**97.3%**	96.8%	50
KWC-GTA	1,603	**98.7%**	98.0%	70	**98.9%**	98.2%	70
New Brunswick							
Moncton (2)	2,246	**97.3%**	98.1%	(80)	**98.5%**	98.4%	10
Fredericton	1,529	**97.7%**	97.8%	(10)	**97.7%**	97.8%	(10)
Saint John	1,202	**97.7%**	96.7%	100	**97.7%**	96.7%	100
Newfoundland and Labrador							
St. John's	955	**92.0%**	87.7%	430	**91.8%**	87.6%	420
Prince Edward Island							
Charlottetown (3)	1,163	**95.6%**	97.1%	(150)	**99.2%**	99.4%	(20)
Alberta							
Calgary (4)	764	**87.6%**	94.4%	(680)	**92.8%**	94.4%	(160)
Edmonton	882	**94.0%**	93.5%	50	**94.1%**	93.5%	60
British Columbia							
Victoria	317	**97.9%**	95.3%	260	**N/A**	N/A	N/A
Other Atlantic	469	**96.6%**	93.4%	320	**96.2%**	93.8%	240
Total Apartments (weighted average)	**18,685**	**96.6%**	96.5%	10	**97.2%**	96.7%	50

(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 Emma Place, a recently acquired 118-unit property, which was undergoing initial lease-up upon acquisition in Q4-2021.
(3) Total occupancy for Charlottetown was impacted by the lease-up of two recently completed developments, Shorefront, a 78-unit building, and 10 Harley, a 38-unit building, both of which were undergoing initial lease-up during the first half of 2021.
(4) Total occupancy for Calgary was impacted by the lease-up of Nolan Hill, a 233-unit property acquired in January 2021.

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



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

Average Rent Analysis by Core Market

As at December 31,

		Average Rent			Same Property Average Rent		
	# of Units	**2021**	2020	% Change	**2021**	2020	% Change
Nova Scotia							
Halifax	5,816	**$1,232**	$1,184	4.1%	**$1,231**	$1,184	4.0%
Ontario							
Ottawa	1,216	**$1,818**	$1,798	1.1%	**$1,818**	$1,798	1.1%
London	523	**$1,388**	$1,371	1.2%	**$1,388**	$1,371	1.2%
KWC-GTA	1,603	**$1,421**	$1,556	(8.7)%	**$1,597**	$1,556	2.6%
New Brunswick							
Moncton	2,246	**$1,092**	$1,046	4.4%	**$995**	$963	3.3%
Fredericton	1,529	**$1,121**	$1,064	5.4%	**$1,121**	$1,064	5.4%
Saint John	1,202	**$920**	$882	4.3%	**$920**	$882	4.3%
Newfoundland and Labrador							
St. John's	955	**$1,012**	$1,006	0.6%	**$1,019**	$1,006	1.3%
Prince Edward Island							
Charlottetown	1,163	**$1,120**	$1,080	3.7%	**$1,041**	$1,025	1.6%
Alberta							
Calgary	764	**$1,277**	$1,263	1.1%	**$1,272**	$1,263	0.7%
Edmonton	882	**$1,492**	$1,476	1.1%	**$1,480**	$1,476	0.3%
British Columbia							
Victoria	317	**$1,771**	$1,729	2.4%	**N/A**	N/A	N/A
Other Atlantic	469	**$947**	$924	2.5%	**$947**	$924	2.5%
Total Apartments (weighted average)	**18,685**	**$1,227**	$1,184	3.6%	**$1,199**	$1,164	3.0%

Same Property Rental Increases – Tenant Renewals Versus Unit Turns

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

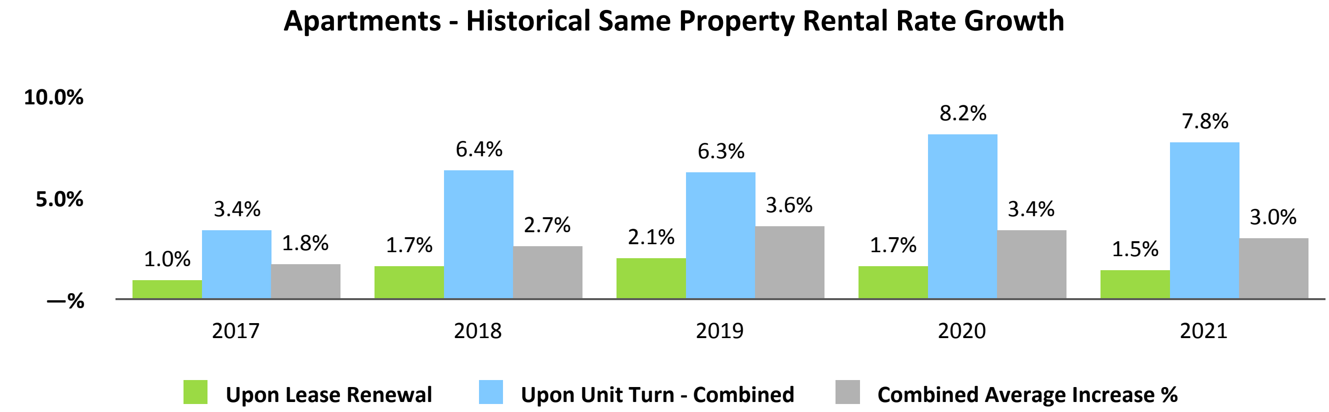
Upon turn, Killam will typically generate rental increases by moving rental rates to market and, where market demand exists, by upgrading units for unlevered returns of 10%–15% on capital invested. Killam saw a 40 bps decrease in its same property weighted average rental increase, to 3.0%, compared to 3.4% for 2020. This decline was a result of lower turnover and modest rental increases on lease renewals, driven mainly by a rent freeze in Ontario for 2021 and a temporary rent cap in Halifax. Rental increases on unit turns decreased slightly year-over-year; however, there was an upward trend in the mark-to-market opportunity in the fourth quarter of 2021.

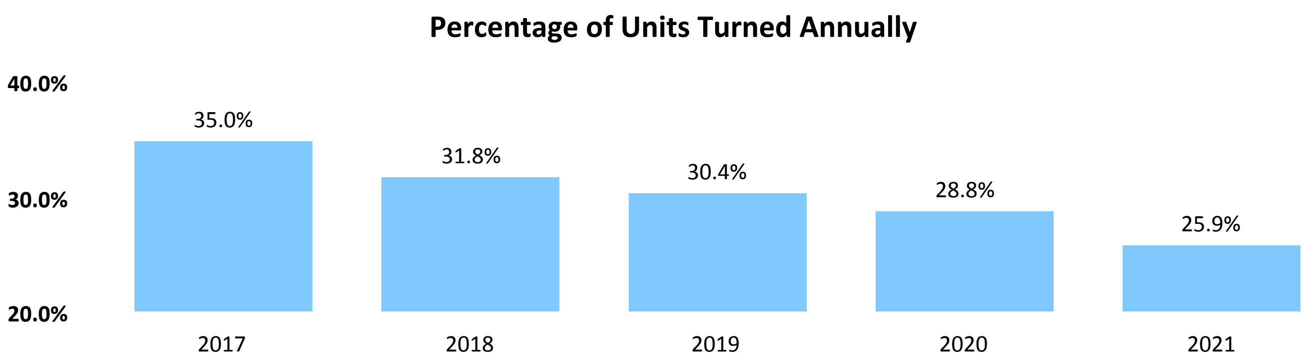
For the years ended December 31,	**2021**		**2020**	
	Rental Increases	Turnovers & Renewals (1)	Rental Increases	Turnovers & Renewals (1)
Lease renewal	**1.5%**	**74.1%**	1.7%	71.2%
Unit turn – regular	**5.0%**	**22.4%**	5.7%	26.3%
Unit turn – repositioned (2)	**29.2%**	**3.5%**	27.3%	2.5%
Rental increase (weighted avg)	**3.0%**		3.4%	

(1) The percentage of total units renewed and turned during the year is based on the number of units at the end of the year.

(2) The weighted average rental lift on the repositioned units is based on the 626 units re-leased during the year ended December 31, 2021.

The following chart illustrates Killam's same property rental rate growth over the past five years.





Apartment Expenses

Total operating expenses for the year ended December 31, 2021, were $92.9 million, an 11.2% increase over the same period of 2020. The increase was due primarily to incremental costs associated with recent acquisitions and developments.

Total apartment same property operating expenses for the year ended December 31, 2021, were 2.6% higher than 2020. The increase was primarily due to inflationary cost pressures, higher contract service costs and insurance premiums, and property tax expense increases of 1.8%, over 2020. These increases were partially offset by decreased utility costs of 0.1%. Utility savings were attributable to a reduction of unit electricity being included in monthly rent, lower natural gas rates in New Brunswick, 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 4.8% for the year ended December 31, 2021, was largely due to higher insurance premiums, increased contract service costs and higher repairs and maintenance costs as a result of relatively lower maintenance work inside units in Q2 and Q3-2020 due to COVID-19 restrictions.

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

Same Property Utility and Fuel Expenses

For the years ended December 31,	**2021**	2020	% Change
Natural gas	**$6,099**	$5,941	2.7%
Electricity	**7,038**	7,434	(5.3)%
Water	**5,775**	5,728	0.8%
Oil & propane	**1,101**	937	17.5%
Other	**68**	61	11.5%
Total utility and fuel expenses	**$20,081**	$20,101	(0.1)%

Killam’s apartments are heated with natural gas (58%), electricity (32%), oil (6%), district heat (2%), geothermal (2%) and propane (less than 1%). Electricity costs relate primarily to common areas, as unit electricity costs are typically paid by tenants, reducing Killam’s exposure to the majority of its 6,000 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 24% of Killam’s total apartment same property operating expenses for the year ended December 31, 2021 and decreased 0.1% year-over-year.

Same property natural gas expense increased by 2.7% for the year ended December 31, 2021. The increase in natural gas expense was primarily attributable to increases in commodity prices in Nova Scotia and Ontario of 12%, partially offset by a reduction in both delivery charges and the commodity price in New Brunswick, resulting in a 9% decline in that province for the year. Increased efficiencies from boiler upgrades as well as above-average temperatures during the heating season contributed to reduced consumption levels partially offsetting the rising rates.

Electricity costs were 5.3% lower for the year ended December 31, 2021, primarily due to a reduction of unit electricity being included as part of a tenant's monthly rent in certain regions given strong market fundamentals, as well as consumption savings from LED lighting retrofits and warmer temperatures.

Water expense increased by 0.8% for the year ended December 31, 2021. Increased water rates were offset partially by lower consumption year-over-year, as consumption was on average higher in 2020 as a result of tenants being at home more during the onset of the COVID-19 pandemic.

Heating oil and propane costs increased by 17.5% for the year ended December 31, 2021, compared to 2020, as oil price increases of 25% were partially offset by a mild winter and increased efficiencies from boiler upgrades. The majority of Killam's heating oil and propane costs are in Prince Edward Island.

Property Taxes

Same property property tax expense for the year ended December 31, 2021, was $27.8 million, a 1.8% increase from the same period 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 across the portfolio. 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

For the years ended December 31,

	Property Revenue			Property Expenses			Net Operating Income		
	2021	2020	% Change	**2021**	2020	% Change	**2021**	2020	% Change
Nova Scotia									
Halifax	**$85,712**	$82,012	4.5%	**($28,975)**	($27,986)	3.5%	**$56,737**	$54,026	5.0%
	85,712	82,012	4.5%	**(28,975)**	(27,986)	3.5%	**56,737**	54,026	5.0%
Ontario									
Ottawa	**15,724**	15,492	1.5%	**(5,174)**	(5,073)	2.0%	**10,550**	10,419	1.3%
London	**8,484**	8,239	3.0%	**(2,991)**	(2,853)	4.8%	**5,493**	5,386	2.0%
KWC-GTA	**17,037**	16,396	3.9%	**(5,336)**	(5,401)	(1.2)%	**11,701**	10,995	6.4%
	41,245	40,127	2.8%	**(13,501)**	(13,327)	1.3%	**27,744**	26,800	3.5%
New Brunswick									
Moncton	**22,220**	21,463	3.5%	**(9,768)**	(9,567)	2.1%	**12,452**	11,896	4.7%
Fredericton	**20,279**	19,397	4.5%	**(8,085)**	(7,865)	2.8%	**12,194**	11,532	5.7%
Saint John	**13,148**	12,432	5.8%	**(6,099)**	(5,998)	1.7%	**7,049**	6,434	9.6%
	55,647	53,292	4.4%	**(23,952)**	(23,430)	2.2%	**31,695**	29,862	6.1%
Newfoundland & Labrador									
St. John's	**10,344**	9,770	5.9%	**(3,490)**	(3,441)	1.4%	**6,854**	6,329	8.3%
	10,344	9,770	5.9%	**(3,490)**	(3,441)	1.4%	**6,854**	6,329	8.3%
Prince Edward Island									
Charlottetown	**12,066**	11,916	1.3%	**(5,023)**	(4,814)	4.3%	**7,043**	7,102	(0.8)%
	12,066	11,916	1.3%	**(5,023)**	(4,814)	4.3%	**7,043**	7,102	(0.8)%
Alberta									
Calgary	**7,980**	8,096	(1.4)%	**(3,052)**	(2,871)	6.3%	**4,928**	5,225	(5.7)%
Edmonton	**9,559**	9,712	(1.6)%	**(3,381)**	(3,527)	(4.1)%	**6,178**	6,185	(0.1)%
	17,539	17,808	(1.5)%	**(6,433)**	(6,398)	0.5%	**11,106**	11,410	(2.7)%
Other Atlantic locations	**5,459**	5,237	4.2%	**(2,124)**	(1,989)	6.8%	**3,335**	3,248	2.7%
	$228,012	$220,162	3.6%	**($83,498)**	($81,385)	2.6%	**$144,514**	$138,777	4.1%

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

MHC Results

For the years ended December 31,

	Total Portfolio			**Same Property**			**Non-Same Property**		
	2021	2020	% Change	**2021**	2020	% Change	**2021**	2020	% Change
Property revenue	**$18,578**	$17,393	6.8%	**$18,270**	$17,110	6.8%	**$308**	$283	N/A
Property operating expenses	**6,824**	6,541	4.3%	**6,680**	6,509	2.6%	**144**	32	N/A
NOI	**$11,754**	$10,852	8.3%	**$11,590**	$10,601	9.3%	**$164**	$251	N/A
Operating margin %	**63.3%**	62.4%	90 bps	**63.4%**	62.0%	140 bps	**53.2%**	—%	—

The MHC business segment generated 6.4% of Killam's NOI for the year ended December 31, 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 annual NOI between July and September. Overall, the MHC portfolio generated same property NOI growth of 9.3% for the year ended December 31, 2021. This growth is mainly attributable to increased seasonal revenue, as the majority of the seasonal resorts were able to open on time and at capacity in 2021.

For the years ended December 31,

	Property Revenue			**Property Expenses**			**Net Operating Income**		
	2021	2020	% Change	**2021**	2020	% Change	**2021**	2020	% Change
Permanent MHCs	**$12,116**	$11,790	2.8%	**($4,293)**	($4,234)	1.4%	**$7,823**	$7,556	3.5%
Seasonal Resorts	**6,154**	5,320	15.7%	**($2,387)**	($2,275)	4.9%	**3,767**	3,045	23.7%
	$18,270	$17,110	6.8%	**($6,680)**	($6,509)	2.6%	**$11,590**	$10,601	9.3%

For the year ended December 31, 2021, same property permanent MHCs generated a 3.5% increase in NOI. Average rent increased 2.2%, to $283 per site at December 31, 2021, compared to $277 per site at December 31, 2020, and occupancy for the year increased to 98.3%, compared to 97.8% in the same period of 2020.

Killam's seasonal resorts experienced increased activity in 2021, resulting in a 15.7% increase in same property revenue for the year compared to the same period of 2020. Activity at the majority of the communities increased significantly with easing of COVID-19 restrictions and augmented inter-provincial travel.

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

Commercial Results

For the years ended December 31,	Total Portfolio			Same Property			Non-Same Property		
	2021	2020	% Change	**2021**	2020	% Change	**2021**	2020	% Change
Property revenue	**$17,384**	$15,382	13.0%	**$16,157**	$15,046	7.4%	**$1,227**	$336	N/A
Property operating expenses	**7,959**	7,717	3.1%	**7,149**	7,389	(3.2)%	**810**	328	N/A
NOI	**$9,425**	$7,665	23.0%	**$9,008**	$7,657	17.6%	**$417**	$8	N/A

Killam's commercial portfolio contains 941,372 SF, located in four of Killam's core markets. The commercial portfolio includes Westmount Place, a 300,000 SF retail and office complex located in Waterloo; Royalty Crossing, a 383,000 SF shopping mall in PEI for which Killam has a 75% interest; the Brewery Market, a 146,000 SF retail and office property in downtown Halifax, as well as other smaller properties located in Halifax and Moncton. Total commercial occupancy was 90.6% for 2021, compared to 88.7% in 2020. On June 1, 2021, Killam acquired an additional 25% ownership interest in Royalty Crossing for $10.1 million, increasing its ownership to 75% and now manages the property. Killam is working with its new partner on redevelopment of the property to drive new leasing and revenue growth.

Killam's commercial property portfolio contributed $9.4 million, or 5.1%, of Killam's total NOI for the year ended December 31, 2021. The increase in NOI during the year ended December 31, 2021, relates to an increase in occupancy, as well as a reduction in bad debt expense and tenant abatements provided in conjunction with the federal government's Canada Emergency Commercial Rental Assistance program in the second and third quarters of 2020, which assisted 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 are not operating as stabilized properties.

In 2021, Killam successfully leased a net new 75,000 SF of commercial space across the portfolio. Killam has also renewed over 135,000 SF of commercial space during 2021, with a weighted average net rate increase of 8.66%.

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

PART V

Other Income and Expenses and Net Income

Net Income and Comprehensive Income

For the years ended December 31,

	2021	2020	% Change
Net operating income	**$183,235**	$163,854	11.8%
Other income	**1,059**	641	65.2%
Financing costs	**(51,521)**	(48,919)	5.3%
Depreciation	**(573)**	(630)	(9.0)%
Administration	**(15,988)**	(13,936)	14.7%
Fair value adjustment on unit-based compensation	**(1,869)**	59	(3,267.8)%
Fair value adjustment on exchangeable units	**(26,107)**	7,676	(440.1)%
Fair value adjustment on investment properties	**239,684**	46,885	411.2%
Income before income taxes	**327,920**	155,630	110.7%
Deferred tax expense	**(42,393)**	(9,590)	342.1%
Net income and comprehensive income	**$285,527**	$146,040	95.5%

Net income and comprehensive income increased $139.5 million for the year ended December 31, 2021, as a result of $239.7 million of fair value gains on Killam's investment properties and a $19.4 million increase in net operating income driven by acquisitions and same property NOI growth. These factors were offset by a $32.8 million increase in deferred tax expense, as well as a $28.0 million fair value loss associated with the mark-to-market adjustments on Killam's unit-based compensation and exchangeable units.

Financing Costs

For the years ended December 31,

	2021	2020	% Change
Mortgage, loan and construction loan interest	**$46,683**	$44,055	6.0%
Interest on credit facilities	**1,063**	671	58.4%
Interest on exchangeable units	**2,766**	2,784	(0.6)%
Amortization of deferred financing costs	**3,784**	3,126	21.0%
Amortization of fair value adjustments on assumed debt	**65**	88	(26.1)%
Unrealized (gain) loss on derivative liability	**(167)**	483	(134.6)%
Interest on lease liabilities	**386**	385	0.3%
Capitalized interest	**(3,059)**	(2,673)	14.4%
	$51,521	$48,919	5.3%

Total financing costs increased $2.6 million, or 5.3%, for the year ended December 31, 2021, as compared to the same period of 2020. Mortgage, loan and construction loan interest expense increased $2.6 million, or 6.0%, which coincides with an increase in Killam's mortgage debt of $319.9 million over the past year, as Killam obtained financing for acquisitions and developments and up-financed maturing mortgages within its existing portfolio. The average interest rate on refinancings for the year ended December 31, 2021, was 2.13%, 24 bps lower than the weighted average interest rate on maturing debt. Interest on Killam's credit facilities increased $0.4 million, as the balance on Killam's credit facilities increased to fund acquisitions completed in the latter part of 2021.

Deferred financing costs include mortgage assumption and application fees, and legal costs related to financings and refinancings. These costs are amortized over the term of the respective mortgage, and CMHC insurance fees are amortized over the amortization period of the mortgage. Deferred financing amortization costs increased $0.7 million or 21.0% for the year ended December 31, 2021, following new debt placement on acquisitions and mortgage refinancings. This expense may fluctuate annually with refinancings.

Capitalized interest increased $0.4 million for the year ended December 31, 2021, compared to the same period 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)

Administration Expenses

For the years ended December 31,

	2021	2020	% Change
Administration	**$15,988**	$13,936	14.7%
As a percentage of total revenues	**5.5%**	5.3%	20 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 year ended December 31, 2021, total administration expenses increased by 14.7%, compared to the same period of 2020, due to costs associated with Killam's annual incentive plan based on year-end results as well as higher information technology costs. Administration expenses as a percentage of total revenues were 5.5% for 2021, 20 bps higher than 2020.

Fair Value Adjustments

For the years ended December 31,

	2021	2020	% Change
Investment properties	**$239,684**	$46,885	411.2%
Deferred unit-based compensation	**(1,869)**	59	N/A
Exchangeable units	**(26,107)**	7,676	(440.1)%
	$211,708	$54,620	287.6%

Killam recognized $239.7 million in fair value gains related to investment properties for the year ended December 31, 2021, compared to $46.9 million for the year ended December 31, 2020. The majority, or $223.9 million of the fair value gains, related to Killam's apartment portfolio, driven by strong NOI growth and recent market transactions supporting lower cap-rates. Killam's MHC portfolio recognized $12.9 million in fair value gains, and $2.9 million of the fair value gains related to Killam's commercial portfolio.

Restricted Trust Units (RTUs) governed by Killam's RTU Plan are awarded to certain members of Management as a portion of their compensation. Non-executive members of the Board of Trustees have the right to receive a percentage of their annual retainer in the form of RTUs. This aligns the interests of Management and the Trustees with those of unitholders. For the year ended December 31, 2021, there was an unrealized fair value loss of $1.9 million, versus a $0.1 million gain in the same period 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 year ended December 31, 2021, there was an unrealized loss of $26.1 million, compared to an unrealized gain of $7.7 million in the same period of 2020, due to changes in the market price of Killam's trust units.

Deferred Tax Expense

For the years ended December 31,			
	2021	2020	% Change
	$42,393	$9,590	342.1%

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 $32.8 million for the year ended December 31, 2021, compared to the same period of 2020, primarily due to an increase in fair value gains on investment properties year-over-year.

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 December 31,**
For the years ended December 31,	**2021**	2020	% Change	**2021**
Trust units	**107,435**	100,225	7.2%	**110,557**
Exchangeable units	**4,030**	4,115	(2.1)%	**4,004**
Basic number of units	**111,465**	104,340	6.8%	**114,561**
Plus:				
Units under RTU plan (1)	**161**	163	(1.2)%	—
Diluted number of units	**111,626**	104,503	6.8%	—

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

Funds from Operations

FFO is recognized as an industry-wide standard measure of a real estate entity's operating performance, and Management considers FFO per unit to be a key measure of operating performance. REALPAC, Canada's senior national industry association for owners and managers of investment real estate, has recommended guidelines for a standard industry calculation of FFO based on IFRS. Killam calculates FFO in accordance with the REALPAC definition. Notwithstanding the foregoing, FFO does not have a standardized meaning under IFRS and is considered a non-IFRS financial measure; therefore, may not be comparable to similarly titled measures presented by other publicly traded companies. FFO for the years ended December 31, 2021 and 2020 are calculated as follows:

For the years ended December 31,

	2021	2020	% Change
Net income	**$285,527**	$146,040	95.5%
Fair value adjustment on unit-based compensation	**1,869**	(59)	(3,267.8)%
Fair value adjustment on exchangeable units	**26,107**	(7,676)	(440.1)%
Fair value adjustment on investment properties	**(239,684)**	(46,885)	(411.2)%
Non-controlling interest	**(13)**	(16)	(18.8)%
Internal commercial leasing costs	**302**	264	14.4%
Deferred tax expense	**42,393**	9,566	343.2%
Interest expense on exchangeable units	**2,766**	2,784	(0.6)%
Unrealized (gain) loss on derivative liability	**(167)**	483	134.6%
Depreciation on owner-occupied building	**106**	146	(27.4)%
Change in principal related to lease liabilities	**29**	31	(6.5)%
FFO	**$119,235**	$104,678	13.9%
FFO per unit – basic	**$1.07**	$1.00	7.0%
FFO per unit – diluted	**$1.07**	$1.00	7.0%
Weighted average number of units – basic (000s)	**111,465**	104,340	6.8%
Weighted average number of units – diluted (000s)	**111,626**	104,503	6.8%

Killam earned FFO of $119.2 million, or $1.07 per unit (diluted), for the year ended December 31, 2021, compared to $104.7 million, or $1.00 per unit (diluted), for the year ended December 31, 2020. FFO growth is primarily attributable to contributions from acquisitions and completed developments ($8.2 million), same property NOI growth ($6.5 million) and lower interest costs ($1.5 million). These increases were partially offset by a 6.8% increase in the weighted average number of units outstanding.

Adjusted Funds from Operations

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

Details of Killam's total actual capital expenditures by category are included in the Capital Improvements section on page 41, and Killam's sources of funding are disclosed in the Liquidity and Capital Resources section on page 33 of this MD&A.

Calculating Maintenance Capex Reserve for AFFO

In February 2017, REALPAC issued the "White Paper on Funds From Operations & Adjusted Funds From Operations for IFRS", updating their guidance on maintenance capital expenditures ("maintenance capex") to be used in the calculation of AFFO and ACFO. Killam has elected to adopt a maintenance reserve based on a three-year average of the capital invested to maintain and sustain its properties, an approach endorsed by REALPAC. The following table details Killam's capital investments attributable to value-enhancing and maintenance projects for each of the past three years:

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

Maintenance Capex Reserve – Apartments

		2021	2020	2019
Total capital investments		$70,711	$57,961	$52,861
Value-enhancing capital investment				
	Building	(21,264)	(14,055)	(17,407)
	Unit upgrades	(26,588)	(22,956)	(18,718)
	Equipment & other	(6,226)	(7,704)	(1,987)
		(54,078)	(44,715)	(38,112)
Maintenance capex		**$16,633**	**$13,246**	**$14,749**
Maintenance capex – % of total capital		24%	23%	28%
Number of units (1)		17,364	16,209	15,513
Maintenance capex per unit		$958	$817	$951
Maintenance capex – three-year average			**$909**	

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

Value-enhancing capital investment includes building enhancements, unit upgrades and equipment purchases supporting NOI growth. Value-enhancing capital classified as building enhancements includes energy-efficiency projects and an allocation to represent building upgrades, including window replacements, and common area and amenity space upgrades. Unit upgrades represent a capital investment on unit turns with an expected minimum 10% return on investment.

Maintenance capex includes all building improvements and unit renovation investment required to maintain current revenues. For the year ended December 31, 2021, Killam updated its maintenance capex reserve to reflect the actual capital investment for the most recent three years (2019–2021), which is equivalent to $909 per unit. Based on this calculation, Management has selected $900 per unit for its maintenance capex reserve for 2021, which is consistent with the 2020 reserve of $900 per unit. Management will maintain this reserve in its calculation of AFFO throughout 2022, until the three-year average is updated at year-end with actual results.

The allocations above were the result of a detailed review of Killam's historical capital investment. Significant judgment was required to allocate capital between value-enhancing and maintenance activities. Management believes these allocations are reflective of Killam's capital program. The maintenance capex as a percentage of total capital investment decreased in 2020 and 2021 compared to 2019, and this reflects Killam's increased investment in its unit repositioning program as well as its energy efficiency program, both of which are value enhancing. In 2021, approximately 24% of annual capital investment was attributable to maintaining and sustaining properties.

Maintenance Capex Reserve – MHCs and Commercial

The capital investment specific to the MHC portfolio was also reviewed for the three years ended December 31, 2021, and categorized into value-enhancing and maintenance capex. Value-enhancing capital investment includes site expansions, land improvements and NOI-enhancing water and sewer upgrades. Maintenance capex includes capital investment related to roads and paving, as well as the majority of water and sewer capital invested to maintain the infrastructure in each community. On a per site basis, maintenance capex has ranged from $285 to $345 over the past three years. Management selected $300 per MHC site for its maintenance capex reserve for 2021, consistent with its 2020 reserve of $300 per site.

Killam began taking a maintenance capex allowance for its commercial properties in 2018. The allowance was based on the expected average annual maintenance capital investment, which was estimated at $0.70 per square foot, as Killam did not have historical information on which to base the allowance. In 2020, due to an increase in capital investment in its commercial properties, Killam increased its annual capex reserve to $0.80 per square foot. For 2021, Killam updated its maintenance capex reserve to reflect the actual capital investment for the most recent three years (2019–2021), which is equivalent to approximately $0.75 per square foot. Based on this calculation, Management has selected $0.80 per square foot for its commercial maintenance capex reserve for 2021 to remain consistent with the prior year, as total capital investment may fluctuate annually.

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

For the years ended December 31,

	2021	2020	% Change
FFO	**$119,235**	$104,678	13.9%
Maintenance capital expenditures	**(18,023)**	(16,860)	6.9%
Commercial straight-line rent adjustment	**(356)**	(555)	(35.9)%
Internal and external commercial leasing costs	**(418)**	(447)	(6.5)%
AFFO	**$100,438**	$86,816	15.7%
AFFO per unit – basic	**$0.90**	$0.83	8.4%
AFFO per unit – diluted	**$0.90**	$0.83	8.4%
AFFO payout ratio – diluted (1)	**76%**	82%	(600) bps
Weighted average number of units – basic (000s)	**111,465**	104,340	6.8%
Weighted average number of units – diluted (000s)	**111,626**	104,503	6.8%

(1) Based on Killam's annual distribution of $0.6867 for the year ended December 31, 2021, and $0.6767 for the year ended December 31, 2020.

The payout ratio of 76% for the year ended December 31, 2021, improved 600 bps compared to the year ended December 31, 2020. The stability is attributable to a 15.7% increase in AFFO, driven by contributions from acquisitions and developments and same property NOI growth, offset by the impact of the increase in the weighted average number of units outstanding.

Killam's Board of Trustees (the "Board") evaluates the Trust's payout ratio quarterly. The Board has not established an AFFO payout target.

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

Adjusted Cash Flow from Operations

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

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

A reconciliation from cash provided by operating activities (refer to the consolidated statements of cash flows for the years ended December 31, 2021 and 2020) to ACFO is as follows:

For the years ended December 31,

	2021	2020	% Change
Cash provided by operating activities	**$140,860**	$123,514	14.0%
Adjustments:			
Changes in non-cash working capital not indicative of sustainable cash flows	**(13,894)**	(15,892)	(12.6)%
Maintenance capital expenditures	**(18,023)**	(16,860)	6.9%
External commercial leasing costs	**(224)**	(212)	5.7 %
Amortization of deferred financing costs	**(3,784)**	(3,126)	21.0%
Interest expense related to lease liability	**(29)**	(31)	(6.5)%
Non-controlling interest	**(13)**	(16)	(18.8)%
ACFO	**$104,893**	$87,377	20.0%
Distributions declared [1]	**77,925**	71,731	8.6%
Excess of ACFO over cash distributions	**$26,968**	$15,646	72.4%
ACFO payout ratio – diluted [2]	**74%**	82%	(800) bps

(1) Includes distributions on trust units, exchangeable units and restricted trust units, as summarized on page 44.

(2) Based on Killam's annual distribution of $0.68668 for the year ended December 31, 2021, and $0.6767 for the year ended December 31, 2020

Killam's ACFO payout ratio is 74% for the year ended December 31, 2021. Similar to the AFFO payout ratio, Killam's first quarter typically has the highest ACFO payout ratio due to the lower operating margin in the period 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.

For the years ended December 31,

	2021	2020
Net income	**$285,527**	$146,040
Cash provided by operating activities	**$140,860**	$123,514
Total distributions declared	**$77,925**	$71,731
Excess of net income over total distributions declared	**$207,602**	$74,309
Excess of net income over net distributions paid [1]	**$233,506**	$95,834
Excess of cash provided by operating activities over total distributions declared	**$62,935**	$51,783

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

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

PART VII

Liquidity and Capital Resources

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

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

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

(ii) On February 4, 2022, Killam closed its public offering of trust units for gross proceeds of $98.1 million. These proceeds were used to repay the outstanding balance on Killam's credit facilities. Killam currently has total capacity of approximately $200.0 million of capital under its credit facilities and cash on hand and acquisition capacity of over $400.0 million.

(iii) Mortgage refinancings and construction loans are expected to be sufficient to fund value-enhancing capex, principal repayments and developments. Killam has $162.1 million of mortgage debt scheduled for refinancing in 2022, expected to lead to upfinancing opportunities of approximately $50.0 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 $40.0 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 consolidated statement of financial position, and (ii) the historical cost of Killam's assets. Total debt as a percentage of assets as at December 31, 2021, was 45.0%.

Killam has financial covenants on its credit facilities. The covenants require Killam to maintain a leverage limit of not more than 70% of debt to total assets, debt to service coverage of not less than 1.3 times and unitholders' equity of not less than $900.0 million. As at February 16, 2022, Killam was in compliance with these covenants.

The table below outlines Killam's key debt metrics:

As at December 31,	**2021**	2020	Change
Weighted average years to debt maturity	**4.0**	4.6	(0.6) years
Total debt as a percentage of total assets	**45.0%**	44.6%	40 bps
Interest coverage	**3.53x**	3.36x	17 bps
Debt service coverage	**1.53x**	1.57x	(4) bps
Debt to normalized EBITDA (1)	**11.33x**	10.78x	55 bps
Weighted average mortgage interest rate	**2.58%**	2.69%	(11) bps
Weighted average interest rate of total debt	**2.52%**	2.69%	(17) bps

(1) Ratio calculated net of cash.

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

As at	**December 31, 2021**	December 31, 2020
Mortgages and loans payable	**$1,915,334**	$1,631,689
Credit facilities	**61,730**	7,029
Construction loans	**77,596**	41,345
Total debt	**$2,054,660**	$1,680,063
Total assets (1)	**$4,568,903**	$3,766,987
Total debt as a percentage of total assets	**45.0%**	44.6%

(1) Excludes right of use asset of $9.6 million as at December 31, 2021 (December 31, 2020 - $9.6 million)

Total debt as a percentage of total assets was 45.0% at December 31, 2021, compared to 44.6% at December 31, 2020. The increase in total leverage is attributable to debt being placed on recently acquired assets partially offset by fair value gains related to cap-rate compression and strong NOI growth. Subsequent to December 31, 2021, Killam's debt to total asset ratio decreased following the closing of its public offering of trust units for gross proceeds of $98.1 million and repayment of the balance on Killam's credit facilities. Management is focused on maintaining conservative debt levels. Total debt to total assets is sensitive to changes in the fair value of investment properties, in particular cap-rate changes.

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

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

Cap-rate Sensitivity Increase (Decrease)	Fair Value of Investment Properties (1)	Total Assets	Total Debt as % of Total Assets	Change (bps)
(0.50)%	$5,158,358	$5,186,384	39.6%	(540)
(0.25)%	$4,882,245	$4,910,271	41.8%	(310)
—%	$4,540,877	$4,568,903	45.0%	—
0.25%	$4,161,252	$4,189,278	49.0%	410
0.50%	$3,964,314	$3,992,340	51.5%	650

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

Normalized Adjusted EBITDA

The following table reconciles Killam's net income to Normalized Adjusted EBITDA for the years ended December 31, 2021 and 2020:

Twelve months ending,	**December 31, 2021**	December 31, 2020	% Change
Net Income	**285,527**	146,040	95.5%
Deferred tax expense	**42,393**	9,590	342.1%
Financing costs	**51,521**	48,919	5.3%
Depreciation	**573**	630	(9.0)%
Fair value adjustment on unit-based compensation	**1,869**	(59)	N/A
Fair value adjustment on exchangeable units	**26,107**	(7,676)	(440.1)%
Fair value adjustment on investment properties	**(239,684)**	(46,885)	411.2%
Adjusted EBITDA	**168,306**	150,559	11.8%
Normalizing adjustment (1)	**12,999**	5,120	153.9%
Normalized adjusted EBITDA	**181,305**	155,679	16.5%
Net debt	**$2,054,225**	$1,677,507	22.5%
Debt to normalized adjusted EBITDA	**11.33x**	10.78x	55 bps

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

Interest and Debt Service Coverage

Twelve months ending,	**December 31, 2021**	December 31, 2020	% Change
Adjusted EBITDA	**168,306**	150,559	11.8%
Interest expense (1)	**47,746**	44,726	6.8%
Interest coverage ratio	**3.53x**	3.36x	17 bps
Principal repayments	**62,246**	51,413	21.1%
Interest expense (1)	**47,746**	44,726	6.8%
Debt service coverage ratio	**1.53x**	1.57x	(4) bps

(1) Interest expense includes mortgage, loan and construction loan interest and interest on credit facilities as presented in Note 21 to the consolidated financial statements.

Mortgages and Other Loans

Killam’s long-term debt consists largely of fixed-rate, long-term mortgages. Mortgages are secured by a first or second charge against individual properties. Killam’s weighted average interest rate on mortgages as at December 31, 2021, was 2.58%, 11 bps lower compared to the rate as at December 31, 2020.

Refinancings

For the year ended December 31, 2021, Killam refinanced the following mortgages:

	Mortgage Debt Maturities		**Mortgage Debt on Refinancing**		**Weighted Average Term**	**Net Proceeds**
Apartments	$124,011	2.28%	$172,294	2.07%	5.0 years	$48,283
MHCs and Commercial	7,983	3.64%	12,220	2.90%	6.7 years	4,237
	$131,994	2.37%	$184,514	2.13%	5.1 years	$52,520

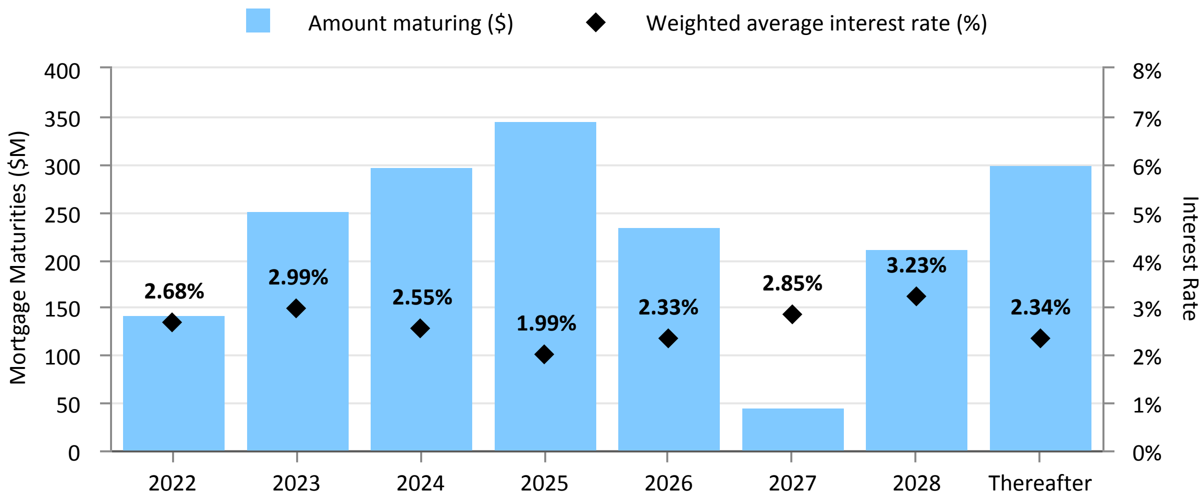
Dollar amounts in thousands of Canadian dollars (except as noted)

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

	Apartments			MHCs and Commercial		Total	
Year of Maturity	**Balance December 31**	**Weighted Avg Int. Rate %**	**% CMHC Insured**	**Balance December 31**	**Weighted Avg Int. Rate %**	**Balance December 31 (1)**	**Weighted Avg Int. Rate %**
2022	$141,528	2.68%	47.7%	$22,988	3.58%	$164,516	2.81%
2023	252,007	2.99%	52.3%	33,613	3.62%	285,620	3.06%
2024	296,713	2.55%	73.3%	25,975	2.88%	322,688	2.57%
2025	345,759	1.99%	54.8%	21,602	2.61%	367,361	2.03%
2026	234,879	2.33%	88.2%	7,956	2.69%	242,835	2.34%
Thereafter	557,762	2.72%	100.0%	4,100	2.90%	561,862	2.73%
	$1,828,648	2.54%	75.0%	$116,234	3.19%	$1,944,882	2.58%

(1) Excludes $8.3 million in variable rate demand loans secured by land for future development, which are classified as mortgages and loans payable as at December 31, 2021.

Apartment Mortgage Maturities by Year



Access to mortgage debt is essential in refinancing maturing debt and financing acquisitions. Management has diversified Killam's mortgages to avoid dependence on any one lending institution and has staggered maturity dates to manage interest rate risk. Management anticipates continued access to mortgage debt for both acquisitions and refinancings. Access to CMHC-insured financing gives apartment owners an advantage over other asset classes, as lenders are provided a government guarantee and, therefore, are able to lend at more favourable rates. As at December 31, 2021, approximately 75.0% of Killam's apartment mortgages were CMHC-insured (70.5% 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 2.54% as at December 31, 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 2022 and 2023:

2022 Debt Maturities	**Number of Properties**	**Estimated NOI**	**Principal Balance (at maturity)**
Apartments with debt maturing	22	$15,496	$139,744
MHCs with debt maturing	9	3,153	22,316
	31	$18,649	$162,060

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

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

Future Contractual Debt Obligations

As at December 31, 2021, the timing of Killam's future contractual debt obligations is as follows:

Twelve months ending December 31,	Mortgage and Loans Payable	Construction Loans [1]	Credit Facilities [2]	Total
2022	$236,943	$77,596	$—	$314,539
2023	329,091	—	—	329,091
2024	337,872	—	61,730	399,602
2025	352,522	—	—	352,522
2026	218,936	—	—	218,936
Thereafter	477,788	—	—	477,788
	$1,953,152	**$77,596**	**$61,730**	**$2,092,478**

(1) Construction loans are demand loans that are expected to be replaced with permanent mortgage financing on development completion lease-up.
(2) Killam's $155.0 million credit facility was amended and extended on December 15, 2021.

Construction Loans

As at December 31, 2021, Killam had access to five variable rate non-revolving demand construction loans, for the purpose of financing development projects, totalling $179.1 million. As at December 31, 2021, $77.6 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 at December 31, 2021, was 2.01% (December 31, 2020 - 2.37%). Once construction is complete and rental targets achieved, construction financing is expected to be replaced with permanent mortgage financing.

Credit Facilities

Killam has access to two credit facilities with credit limits of $155.0 million ($175.0 million with the accordion feature) and $15.0 million (December 31, 2020 - $110.0 million and $10.0 million) that can be used for acquisition and general business purposes. The $15.0 million facility was increased from $10.0 million during Q3-2021 and the $155.0 million facility was increased from $110.0 million during Q4-2021.

The $155.0 million facility bears interest at prime plus 55 bps on prime rate advances or 155 bps over bankers' acceptances (BAs). The facility includes a $30.0 million demand revolver and a $125.0 million committed revolver, as well as an accordion option to increase the $155.0 million facility by an additional $20.0 million. The agreement includes certain covenants and undertakings with which Killam was in compliance as at December 31, 2021. The facility was renewed on December 15, 2021.

The $15.0 million demand facility bears interest at prime plus 125 bps on advances and 135 bps on issuance of letters of credit, in addition to 50 bps per annum. The agreement includes certain covenants and undertakings with which Killam was in compliance as at December 31, 2021.

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

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.

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

Investment Properties

As at December 31,

	2021	2020	% Change
Investment properties	**$4,284,030**	$3,570,198	20.0%
Investment properties under construction (IPUC)	**201,319**	128,100	57.2%
Land for development	**55,528**	43,620	27.3%
	$4,540,877	$3,741,918	21.4%

Continuity of Investment Properties

As at December 31,

	2021	2020	% Change
Balance, beginning of year	**$3,570,198**	$3,234,410	10.4%
Acquisition of properties	**393,028**	206,616	90.2%
Transfer from IPUC	**17,254**	22,117	(22.0)%
Capital expenditures and development costs (1)	**76,940**	65,693	17.1%
Fair value adjustment - Apartments	**210,829**	53,765	292.1%
Fair value adjustment - MHCs	**12,844**	1,820	605.7%
Fair value adjustment - Commercial	**2,937**	(14,862)	(119.8)%
Impact of change in right-of-use asset	**—**	639	N/A
Balance, end of year	**$4,284,030**	$3,570,198	20.0%

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

Killam reviewed its valuation of investment properties in light of COVID-19 as at December 31, 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 is supported by cap-rate compression and robust NOI growth driven by strong apartment fundamentals.

The key valuation assumption in the determination of fair market value, using the direct capitalization method, is the cap-rate. A summary of the high, low and weighted average cap-rates used in the valuation models as at December 31, 2021 and December 31, 2020, is as follows:

For the years ended December 31,

		2021			2020	
Capitalization Rates	**Low**	**High**	**Effective Weighted Average**	Low	High	Effective Weighted Average
Apartments	**3.00%**	**7.00%**	**4.41%**	3.25%	7.00%	4.67%
MHCs	**5.00%**	**6.50%**	**5.59%**	5.00%	6.50%	5.64%

Killam's effective weighted average cap-rates for its apartment and MHC portfolios at December 31, 2021, were 4.41% and 5.59%, 26 bps and 5 bps lower than the cap-rates as at December 31, 2020.

Fair Value Sensitivity

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

				Change in Stabilized NOI (1)		
		(2.00)%	**(1.00)%**	**— %**	**1.00%**	**2.00%**
Change in Capitalization Rate	**(0.50)%**	$437,724	$485,813	$533,902	$581,991	$630,081
	(0.25)%	160,655	205,917	251,178	296,440	341,702
	—%	(85,500)	(42,750)	—	42,750	85,500
	0.25%	(305,658)	(265,154)	(224,650)	(184,147)	(143,643)
	0.50%	(503,742)	(465,259)	(426,777)	(388,294)	(349,812)

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

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%	Development Land	—	**3,000**
54 Assomption Blvd	Moncton, NB	01-Feb-21	100%	Apartment	23	**5,600**
Southport	Stratford, PE	01-Feb-21	100%	Development Land	—	**3,800**
5735 College Street	Halifax, NS	07-May-21	100%	Development Land	—	**1,300**
Royalty Crossing (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**
131 Queensway Drive (6)	Moncton, NB	15-Sept-21	100%	MHC Land	—	**385**
140 Dale Drive	Stratford, PE	06-Oct-21	100%	Apartment	61	**15,300**
Emma Place	Moncton, NB	18-Oct-21	100%	Apartment	118	**31,800**
Heritage Valley	Edmonton, AB	28-Oct-21	100%	Apartment	123	**28,900**
160 Dale Drive (3)	Stratford, PE	29-Oct-21	100%	Development Land	—	**1,500**
Nautical Suites	Edmonton, AB	9-Nov-21	100%	Apartment	180	**42,300**
1350 Hollis Street	Halifax, NS	1-Dec-21	100%	Apartment	3	**1,300**
155 Kedgwick Drive	Moncton, NB	20-Dec-21	100%	Apartment	31	**6,500**
Total Acquisitions						**$399,385**

(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 Royalty Crossing for $10.1 million, increasing its ownership to 75%. Royalty Crossing 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. 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.
(6) Killam acquired a parcel of land adjacent to its Camper City seasonal resort.

Investment Properties Under Construction

As at December 31,

	2021	2020	% Change
Balance, beginning of year	**$128,100**	$46,867	173.3%
Fair value adjustment	**11,097**	10,184	9.0%
Capital expenditures	**73,005**	76,050	(4.0)%
Interest capitalized	**2,239**	1,686	32.8%
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 year	**$201,319**	$128,100	57.2%

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

Land for Development

As at December 31,

	2021	2020	% Change
Balance, beginning of year	**$43,620**	$39,327	10.9%
Fair value adjustment	—	(4,022)	(100.0)%
Capital expenditures	**1,905**	3,339	(42.9)%
Interest capitalized	**820**	987	(16.9)%
Acquisitions	**13,315**	1,237	976.4%
Transfer to IPUC	**(4,132)**	(11,462)	(64.0)%
Transfer from held for sale (1)	—	14,214	(100.0)%
Balance, end of year	**$55,528**	$43,620	27.3%

(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 as at December 31, 2021, 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	January 2022	4.40%–4.60%
The Kay	Mississauga, ON	100%	128	$57.0	2019	April 2022	4.50%–4.75%
Luma	Ottawa, ON	50%	84	$45.8	2019	Q2-2022	4.00%–4.25%
Governor	Halifax, NS	100%	12	$22.8	2021	Q3-2022	4.25%–4.75%
Civic 66	Kitchener, ON	100%	169	$69.7	2020	Q1-2023	4.75%–5.00%
Total (2)(3)			497	$238.8			

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

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

(3) In addition, Killam has a 50% interest in the construction of 18 townhouses for future sale on a portion of the Sherwood Crossing land in Charlottetown, which are expected to be completed in Q3-2022.

Latitude

Latitude, containing 209 units, broke ground during Q2-2019 and opened to tenants on January 1, 2022. Final construction is ongoing, with the total estimated cost being $87.0 million ($43.5 million for Killam's 50% interest). Since initial acquisition of the land for development, Killam has recognized $10.6 million in fair value gains. The property is currently 34% leased.

The Kay

The Kay, containing 128 units, broke ground in Q3-2019 and is expected to be completed in April 2022. Delays in municipal site visits and approvals contributed to the completion extension. The total estimated cost is $57.0 million. Leasing to date for this asset has been strong, with 29% of the units currently pre-leased.

Luma

Luma, containing 168 units, broke ground in Q3-2019 and is expected to be completed in Q2-2022. Killam's 50% interest in the cost to construct has increased approximately 3.0%, to $45.8 million.

Governor

The Governor, containing 12 luxury apartment units and 3,500 SF of ground floor commercial space, broke ground in early 2021. The building is located adjacent to Killam's 240-unit building, The Alexander, in Halifax, NS. The budget for the development is $22.8 million. Construction financing is in place, with the first draw expected in Q1-2022.

Civic 66

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

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

Future Development Pipeline

Killam has a development pipeline with over half of the future projects located outside of Atlantic Canada. Killam targets yields of 4.0%–5.0% on developments, 50–150 bps higher than the expected market cap-rate on completion. Building out the approximate $1.3 billion pipeline at a 100 bps spread should create in excess of $300 million in net asset value (NAV) growth for Unitholders. Below is a listing of land currently available for future development:

Property	Location	Killam's Interest	Development Potential (# of Units) (1)	Status	Estimated Year of Completion
Developments expected to start in 2022					
Westmount Place Phase 1	Waterloo, ON	100%	139	Final planning approval pending	2024
Eventide & Aurora	Halifax, NS	100%	120	Final planning approval pending	2024
Developments expected to start in 2023-2027					
Stratford land	Charlottetown, PE	100%	100	In design	2025
Sherwood Crossing	Charlottetown, PE	100%	325	In design	2025
Medical Arts	Halifax, NS	100%	200	Concept design	2025
Westmount Place Phase 2	Waterloo, ON	100%	150	In design	2026
Hollis Street	Halifax, NS	100%	100	Concept design	2026
Gloucester City Centre Phase 3	Ottawa, ON	50%	200	Concept design	2026
Nolan Hill Phase 3 (2)	Calgary, AB	10%	200	In design	2026
Additional future development projects					
Nolan Hill Phase 4 (2)	Calgary, AB	10%	200	Future development	TBD
Christie Point	Victoria, BC	100%	312	Development agreement in place	TBD
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			**3,766**		

(1) Represents total number of units in the potential development.

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

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

Capital Improvements

Capital improvements are a combination of maintenance capex and value-enhancing upgrades. Maintenance capex investments are not expected to increase the NOI or efficiency of a building; however, these expenditures will extend the life of the asset. Examples of maintenance capex include roof, window and building envelope repairs and are in addition to repairs and maintenance costs that are expensed to NOI. Value-enhancing capital investments are expected to result in higher rents and/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 year ended December 31, 2021, Killam invested $78.9 million of capital in its existing portfolio, compared to $65.7 million for the year ended December 31, 2020. This increase year-over-year reflects a catch-up on construction delays from 2020 as a result of COVID-19, coupled with Killam's growing asset base, as well as the timing of larger multi-phase capital projects, increased investment in energy initiatives and Killam's repositioning program.

For the year ended December 31,

	2021	2020	% Change
Apartments	**$70,711**	$57,961	22.0%
MHCs	**5,423**	4,392	23.5%
Commercial	**2,744**	3,340	(17.8)%
	$78,878	$65,693	20.1%

Apartment Portfolio

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

For the year ended December 31,

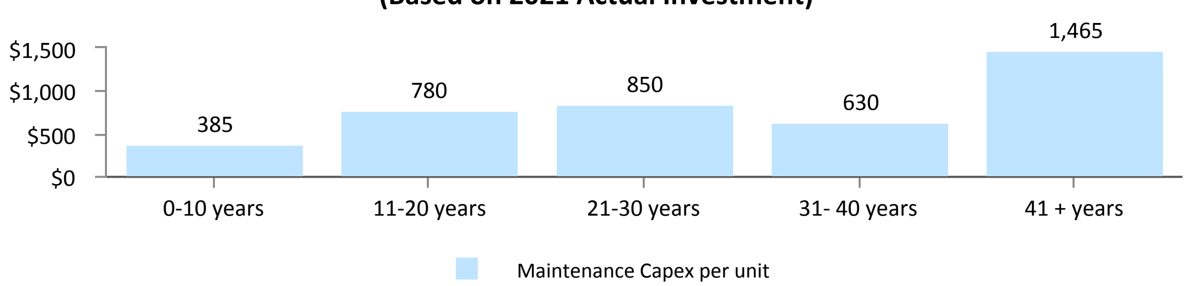
	2021	2020	% Change
Building improvements	**$27,899**	$23,290	19.8%
Unit renovations	**27,784**	23,971	15.9%
Appliances	**4,482**	2,995	49.6%
Energy	**8,165**	4,801	70.1%
Common area	**2,381**	2,904	(18.0)%
Total capital invested	**$70,711**	$57,961	22.0%
Average number of units outstanding (1)	**17,364**	16,209	7.1%
Capital invested – $ per unit	**$4,072**	$3,576	13.9%

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

Killam invested $4,072 per unit for the year ended December 31, 2021, compared to $3,576 per unit for the same period of 2020. The increase relates to the continued expansion of Killam's unit repositioning program and work on larger capital projects focused on increasing the resiliency of its buildings. Killam's focus on development and acquisition of newer properties translates into a lower maintenance capex per unit than many other apartment owners in Canada. Thirty-seven 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 29 years. This portfolio of newer assets allows Killam to focus on value-enhancing opportunities, as the maintenance capital requirements are lower.

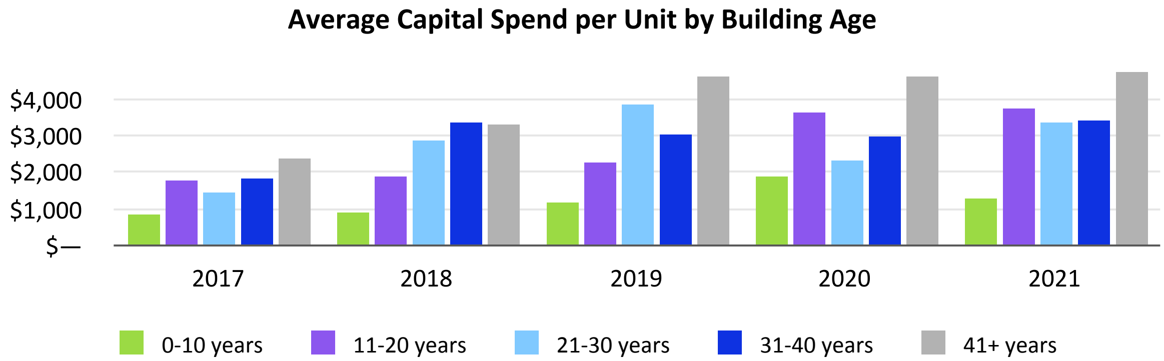
Maintenance capital requirements vary significantly by age of property. As the following chart illustrates, the approximate 2021 maintenance capex for properties built in the past 10 years was $385 per unit vs. $1,465 per unit for units that were 41+ years old.

Average Maintenance Capital Investment per Unit by Building Age (Based on 2021 Actual Investment)



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

As well, the chart below highlights that the total capital investment per unit is less for newer properties (built in the last 10 years), averaging $1,300 per unit, compared to $5,385 per unit for buildings over 40 years old.



Building Improvements

Of the $70.7 million total capital invested in the apartment segment for the year ended December 31, 2021, approximately 39% was invested in building improvements, consistent with 40% of the total capital investment for the year ended December 31, 2020. These investments include larger building improvement projects such as exterior cladding and brick work, balcony refurbishments, and roof upgrades, as well as projects such as plumbing improvements, fire safety, security systems and window upgrades. The increase in building investments for the year ended December 31, 2021, compared to the same period of 2020, relates primarily to the timing of multi-phase building envelope projects and the increase in the size of Killam's apartment portfolio.

Unit Renovations and Repositionings

For the year ended December 31, 2021, Killam invested $27.8 million in unit renovations, a 15.9% increase over the total investment of $24.0 million for the same period of 2020. This increase reflects Killam's continued focus on renovations in order to maximize occupancy and rental growth. Killam targets a minimum ROI of 10% for its unit renovations, earning rental growth of 10%–30%. The timing of unit renovation investment is influenced by tenant turnover, market conditions and individual property requirements. The length of time that Killam has owned a property and the age of the property also impact capital requirements. In 2021, Killam repositioned 551 units, up from 495 units in 2020, with an average investment of approximately $27,900 per unit, generating an average ROI of 13%. A summary of the repositioning activities for the year ended December 31, 2021 is set out below:

	2021 Repositioning Program		
Region	Units Repositioned	Average Investment per Unit	Avg Return on Investment
Nova Scotia	317	$25,650	13%
Ontario	45	$47,900	12%
New Brunswick	183	$26,700	13%
Newfoundland	6	$32,620	10%
Total (weighted average)	**551**	**$27,900**	**13%**

Killam achieved its target of completing 550 repositionings in 2021. Killam estimates that repositioning opportunity within its portfolio is approximately an additional 5,500 units, which should generate an estimated $20.0 million in additional annualized revenue, representing an approximate $325.0 million increase in NAV.

Energy

After the successful completion of Killam's five-year energy-efficiency program in 2020, it continues to invest in additional energy-efficiency initiatives augmenting its sustainability programs and improving its GRESB rating. Killam is committed to continuously lowering and reporting on its greenhouse gas emissions and also completing benchmarking using third-party validation. Energy-related projects completed in 2021 include the installation of photovoltaic solar panels at select properties, installation of electric vehicle chargers, boiler, heat pump and window replacements, insulation upgrades, as well as electricity and water conservation projects. Killam also installed geothermal heating and cooling at three of its active development projects.

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

MHC Portfolio

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

For the year ended December 31,

	2021	2020	% Change
Water and sewer upgrades	**$1,749**	$2,164	(19.2)%
Site expansion and land improvements	**843**	571	47.6%
Other	**1,871**	1,177	59.0%
Roads and paving	**558**	351	59.0%
Equipment	**402**	129	211.6%
Total capital invested – MHCs	**$5,423**	$4,392	23.5%
Average number of sites	**5,875**	5,855	0.3%
Capital invested – $ per site	**$923**	$750	23.1%

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 year ended December 31, 2021, was $5.4 million, compared to $4.4 million for the year ended December 31, 2020. The increase in capital investment relates to 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 Portfolio

During the year ended December 31, 2021, Killam invested $2.7 million in its commercial portfolio, compared to $3.3 million for the year ended December 31, 2020. These investments relate primarily to property upgrades and tenant improvements for new leasing opportunities at Killam's three standalone commercial properties, The Brewery, Westmount Place and Royalty Crossing. The timing of capital investment will vary based on tenant turnover.

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

Unitholders' Equity

As Killam is an open-ended mutual fund trust, unitholders of trust units are entitled to redeem their trust units at any time at prices determined and payable in accordance with the conditions specified in Killam's DOT. Consequently, under IFRS, trust units are defined as financial liabilities; however, for purposes of financial statement classification and presentation, trust units may be presented as equity instruments, as they meet the puttable instrument exemption under IAS 32.

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

Unitholders have the right to redeem their units at the lesser of (i) 90% of the market price of the trust unit (market price is defined as the weighted average trading price of the previous 10 trading days), and (ii) the most recent closing market price (closing market price is defined as the weighted average trading price on the specified date) at the time of the redemption. The redemption price will be satisfied by cash, up to a limit of $50 thousand for all redemptions in a calendar month, or a note payable. For the year ended December 31, 2021, no unitholders redeemed units.

During Q3-2021, Killam increased its monthly distribution by 2.9% to $0.05833, effective for the October 2021 distribution ($0.69 per unit annualized). Killam's Distribution Reinvestment Plan (DRIP) allows unitholders to elect to have all cash distributions from the Trust reinvested in additional units. Unitholders who participate in the DRIP receive an additional distribution of units equal to 3% of each cash distribution reinvested. The price per unit is calculated by reference to the 10-day volume weighted average price of Killam's units on the Toronto Stock Exchange preceding the relevant distribution date, which typically is on or about the 15th day of the month following the distribution declaration.

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

Distribution Reinvestment Plan and Net Distributions Paid

For the years ended December 31,

	2021	2020	% Change
Distributions declared on trust units	**$74,912**	$68,696	9.0%
Distributions declared on exchangeable units	**2,766**	2,784	(0.6)%
Distributions declared on awards outstanding under RTU plan	**247**	251	(1.6)%
Total distributions declared	**$77,925**	$71,731	8.6%
Less:			
Distributions on trust units reinvested	**(25,657)**	(21,274)	20.6%
Distributions on RTUs reinvested	**(247)**	(251)	(1.6)%
Net distributions paid	**$52,021**	$50,206	3.6%
Percentage of distributions reinvested	**33.2%**	30.0%	

PART VIII

Quarterly Results & Discussion of Q4 Operations

Summary of Quarterly Results

An eight-quarter trend highlighting key operating results is shown below:

	2021				2020			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Property revenue	$76,998	$76,244	$70,300	$67,375	$66,845	$66,653	$64,899	$63,293
NOI	$47,921	$50,455	$44,596	$40,263	$41,496	$43,198	$41,318	$37,842
Net income	$74,801	$46,634	$136,672	$27,420	$48,563	$37,465	$21,509	$38,503
FFO	$30,514	$34,246	$29,369	$25,106	$26,537	$28,512	$26,617	$23,012
FFO per unit - diluted	$0.27	$0.30	$0.27	$0.23	$0.25	$0.27	$0.26	$0.22
AFFO	$25,669	$29,510	$24,774	$20,485	$22,012	$24,099	$22,136	$18,569
AFFO per unit – diluted	$0.22	$0.26	$0.23	$0.19	$0.21	$0.23	$0.22	$0.18
Weighted average units – diluted (000s)	114,571	114,250	109,929	107,669	107,300	105,691	102,620	102,358

Q4 Consolidated Results

For the three months ended December 31,

	Total Portfolio			Same Property			Non-Same Property		
	2021	2020	% Change	**2021**	2020	% Change	**2021**	2020	% Change
Property revenue	**$76,998**	$66,845	15.2%	**$66,485**	$63,426	4.8%	**$10,513**	$3,419	207.5%
Property operating expenses									
General operating expenses	**13,616**	11,725	16.1%	**11,727**	11,250	4.2%	**1,889**	475	297.7%
Utility and fuel expenses	**6,332**	5,391	17.5%	**5,491**	5,169	6.2%	**841**	222	278.8%
Property taxes	**9,129**	8,233	10.9%	**7,881**	7,869	0.2%	**1,248**	364	242.9%
Total operating expenses	**$29,077**	$25,349	14.7%	**$25,099**	$24,288	3.3%	**$3,978**	$1,061	274.9%
NOI	**$47,921**	$41,496	15.5%	**$41,386**	$39,138	5.7%	**$6,535**	$2,358	177.1%
Operating margin %	**62.2%**	62.1%	10 bps	**62.2%**	61.7%	50 bps	**62.2%**	69.0%	(680) bps

For the three months ended December 31, 2021, Killam recognized 15.5% NOI growth. Revenue grew 15.2%, offset by total operating expense increases of 14.7% from the growth in Killam's portfolio through acquisitions completed over the last twelve months.

Consolidated same property revenue grew 4.8% for the three months ended December 31, 2021, compared to the same period of 2020, due to higher apartment occupancy and rental rates. Total same property operating expenses increased by 3.3%, resulting in consolidated same property NOI growth of 5.7% in Q4-2021, compared to Q4-2020.

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

Q4 Same Property NOI

For the three months ended December 31,

	Apartments			MHCs			Commercial		
	2021	2020	% Change	**2021**	2020	% Change	**2021**	2020	% Change
Property revenue	**$58,213**	$55,711	4.5%	**$4,075**	$3,933	3.6%	**$4,197**	$3,782	11.0%
Property operating expenses									
General operating expenses	**9,843**	9,387	4.9%	**1,157**	1,149	0.7%	**727**	714	1.8%
Utility and fuel expenses	**4,735**	4,453	6.3%	**514**	492	4.5%	**242**	224	8.0%
Property taxes	**6,939**	6,881	0.8%	**185**	194	(4.6)%	**757**	794	(4.7)%
Total property expenses	**$21,517**	$20,721	3.8%	**$1,856**	$1,835	1.1%	**$1,726**	$1,732	(0.3)%
NOI	**$36,696**	$34,990	4.9%	**$2,219**	$2,098	5.8%	**$2,471**	$2,050	20.5%
Operating margin	**63.0%**	62.8%	20 bps	**54.5%**	53.3%	120 bps	**58.9%**	54.2%	470 bps

Apartment Same Property

Killam's same property apartment portfolio realized NOI growth of 4.9% for the three months ended December 31, 2021, compared to the three months ended December 31, 2020, due to a 4.5% increase in revenues and a 3.8% increase in total property operating expenses. Revenue growth was generated from a 3.1% increase in the average rental rate and a 160 bps increase in occupancy for the quarter, from 96.5% to 98.1%.

General operating expenses increased 4.9% in the fourth quarter of 2021 compared to the same period in 2020 due to inflationary cost pressures, including higher contract service and repairs and maintenance costs, as well as an increase in staffing costs.

Utility and fuel expenses were 6.3% higher for the three months ended December 31, 2021, as compared to the same period in 2020. Electricity expenses were 7.6% lower due to a reduction of inclusion of unit electricity as a rental incentive. Oil costs increased 65.9% compared to Q4-2020, as a result of a 54% increase in commodity pricing. Natural gas expenses increased 21.1%, due to an increase in the weighted average natural gas pricing across Killam's core markets.

Property taxes increased a modest 0.8% quarter-over-quarter, as higher property tax assessments and rate increases were partially offset by successful tax appeals.

Q4-2021 Occupancy

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

		Total Occupancy			Same Property Occupancy		
For the three months ended December 31,	# of Units	**2021**	2020	Change (bps)	**2021**	2020	Change (bps)
Halifax	5,816	**98.9%**	97.3%	160	**98.9%**	97.3%	160
Ottawa	1,216	**94.7%**	95.0%	(30)	**94.7%**	95.0%	(30)
London	523	**99.5%**	97.1%	240	**99.5%**	97.1%	240
KWC-GTA	1,603	**99.0%**	97.7%	130	**99.3%**	97.9%	140
Moncton	2,246	**98.4%**	97.0%	140	**99.0%**	98.1%	90
Fredericton	1,529	**97.6%**	98.1%	(50)	**97.6%**	98.1%	(50)
Saint John	1,202	**98.6%**	96.7%	190	**98.6%**	96.7%	190
St. John's	955	**95.0%**	86.7%	830	**95.0%**	86.7%	830
Charlottetown	1,163	**99.3%**	90.9%	840	**99.3%**	99.4%	(10)
Calgary	764	**97.0%**	92.7%	430	**96.3%**	92.7%	360
Edmonton	882	**95.2%**	94.5%	70	**96.0%**	94.5%	150
Victoria	317	**99.2%**	98.6%	60	**N/A**	N/A	N/A
Other Atlantic	469	**98.0%**	93.9%	410	**98.0%**	93.9%	410
Total Apartments (weighted average)	18,685	**98.1%**	96.0%	210	**98.1%**	96.5%	160

(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.

Overall apartment occupancy increased 210 bps to 98.1% in the fourth quarter of 2021, compared to 96.0% for the fourth quarter of 2020, due to strong market fundamentals. Same property occupancy was 98.1%, a 160 bps increase versus Q4-2020.

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

Apartment Same Property NOI by Region

Three months ended December 31,

	Property Revenue			Property Expenses			Net Operating Income		
	2021	2020	% Change	**2021**	2020	% Change	**2021**	2020	% Change
Nova Scotia									
Halifax	**$21,930**	$20,791	5.5%	**($7,481)**	($7,150)	4.6%	**$14,449**	$13,641	5.9%
	21,930	20,791	5.5%	**(7,481)**	(7,150)	4.6%	**14,449**	13,641	5.9%
Ontario									
Ottawa	**3,973**	3,950	0.6%	**(1,342)**	(1,307)	2.7%	**2,631**	2,643	(0.5)%
London	**2,181**	2,118	3.0%	**(795)**	(762)	4.3%	**1,386**	1,356	2.2%
KWC-GTA	**4,316**	4,150	4.0%	**(1,393)**	(1,412)	(1.3)%	**2,923**	2,738	6.8%
	10,470	10,218	2.5%	**(3,530)**	(3,481)	1.4%	**6,940**	6,737	3.0%
New Brunswick									
Moncton	**5,659**	5,445	3.9%	**(2,507)**	(2,371)	5.7%	**3,152**	3,074	2.5%
Fredericton	**5,178**	4,969	4.2%	**(2,070)**	(1,958)	5.7%	**3,108**	3,011	3.2%
Saint John	**3,384**	3,173	6.6%	**(1,463)**	(1,445)	1.2%	**1,921**	1,728	11.2%
	14,221	13,587	4.7%	**(6,040)**	(5,774)	4.6%	**8,181**	7,813	4.7%
Newfoundland & Labrador									
St. John's	**2,694**	2,429	10.9%	**(919)**	(912)	0.8%	**1,775**	1,517	17.0%
	2,694	2,429	10.9%	**(919)**	(912)	0.8%	**1,775**	1,517	17.0%
Prince Edward Island									
Charlottetown	**3,037**	2,992	1.5%	**(1,336)**	(1,219)	9.6%	**1,701**	1,773	(4.1)%
	3,037	2,992	1.5%	**(1,336)**	(1,219)	9.6%	**1,701**	1,773	(4.1)%
Alberta									
Calgary	**2,050**	1,956	4.8%	**(817)**	(772)	5.8%	**1,233**	1,184	4.1%
Edmonton	**2,413**	2,418	(0.2)%	**(859)**	(883)	(2.7)%	**1,554**	1,535	1.2%
	4,463	4,374	2.0%	**(1,676)**	(1,655)	1.3%	**2,787**	2,719	2.5%
Other Atlantic locations	**1,398**	1,320	5.9%	**(535)**	(530)	0.9%	**863**	790	9.2%
	$58,213	$55,711	4.5%	**($21,517)**	($20,721)	3.8%	**$36,696**	$34,990	4.9%

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

MHC Results

For the three months ended December 31,

	Total Portfolio			Same Property			Non-Same Property		
	2021	2020	% Change	**2021**	2020	% Change	**2021**	2020	% Change
Property revenue	**$4,161**	$4,058	2.5%	**$4,075**	$3,933	3.6%	**$86**	$125	N/A
Property operating expenses									
General operating expenses	**1,159**	1,151	0.7%	**1,157**	1,149	0.7%	**2**	2	N/A
Utility and fuel expenses	**513**	491	4.5%	**514**	492	4.5%	**(1)**	(1)	N/A
Property taxes	**190**	198	(4.0)%	**185**	194	(4.6)%	**5**	4	N/A
Total operating expenses	**$1,862**	$1,840	1.2%	**$1,856**	$1,835	1.1%	**$6**	$5	N/A
NOI	**$2,299**	$2,218	3.7%	**$2,219**	$2,098	5.8%	**$80**	$120	N/A
Operating margin %	**55.3%**	54.7%	60 bps	**54.5%**	53.3%	120 bps	**$—**	$—	—%

The MHC same property portfolio generated a 5.8% increase in NOI in Q4-2021, compared to Q4-2020. Revenues grew by 3.6% quarter-over-quarter due to a 2.0% increase in rental rates and increased revenue from Killam's seasonal resorts. Total same property operating expenses increased a modest 1.1% due to higher utility and contract service costs, partially offset by lower property taxes and repairs and maintenance costs.

Commercial Results

For the three months ended December 31,

	Total Portfolio			Same Property			Non-Same Property		
	2021	2021	% Change	**2021**	2020	% Change	**2021**	2020	% Change
Property revenue	**$4,689**	$3,845	22.0%	**$4,197**	$3,782	11.0%	**$492**	$63	681.0%
Property operating expenses	**2,046**	1,803	13.5%	**1,726**	1,732	(0.3)%	**320**	71	350.7%
NOI	**$2,643**	$2,042	29.4%	**$2,471**	$2,050	20.5%	**$172**	($8)	N/A

Killam's overall commercial portfolio saw a 22.0% increase in revenue and a 13.5% increase in property operating expenses, resulting in a 29.4% increase in NOI compared to Q4-2020 as a result of the acquisition of an additional 25% interest in Royalty Crossing in June 2021.

The same property results in Q4-2021 include Westmount Place, located in Waterloo, Killam's initial ownership interest in Royalty Crossing (50%) in Charlottetown, the Brewery Market in downtown Halifax, as well as three commercial properties, one of which is Killam's head office, located in Halifax, and a small commercial property in Moncton. Overall, same property commercial revenue grew 10.9% during Q4-2021 from increased occupancy, higher percentage rent, and lower discounts and incentives upon lease-up.

Q4 FFO

For the three months ended December 31,	**2021**	2020	% Change
Net income	**$74,801**	$48,563	54.0%
Fair value adjustment on unit-based compensation	**831**	32	2496.9%
Fair value adjustment on exchangeable units	**9,370**	(1,025)	1014.1%
Fair value adjustment on investment properties	**(66,012)**	(28,521)	131.5%
Non-controlling interest	**(4)**	(3)	33.3%
Deferred tax expense	**10,716**	6,717	59.5%
Interest expense related to exchangeable units	**701**	697	0.6%
Unrealized gain on derivative liability	**(69)**	(6)	1050.0%
Internal commercial leasing costs	**147**	51	188.2%
Depreciation on owner-occupied building	**26**	24	8.3%
Change in principal related to lease liabilities	**7**	8	(12.5)%
FFO	**$30,514**	$26,537	15.0%
FFO per unit – diluted	**$0.27**	$0.25	8.0%
FFO per unit – diluted	**$0.27**	$0.25	8.0%
Weighted average number of units – basic (000s)	**114,408**	107,139	6.8%
Weighted average number of units – diluted (000s)	**114,571**	107,300	6.8%

Killam earned FFO of $30.5 million, or $0.27 per unit (diluted), for the three months ended December 31, 2021, compared to $26.5 million, or $0.25 per unit (diluted), for the three months ended December 31, 2020. FFO growth is primarily attributable to contributions from acquisitions and completed developments ($3.2 million), same property NOI growth ($1.7 million), and a reduction in interest expenses ($0.3 million). These increases were offset by a 6.8% increase in the weighted average number of units outstanding from an equity raise completed in May 2021.

Q4 AFFO

For the three months ended December 31,	**2021**	2020	% Change
FFO	**$30,514**	$26,537	15.0%
Maintenance capital expenditures	**(4,666)**	(4,271)	9.2%
Commercial straight-line rent adjustment	**(47)**	(109)	(56.9)%
Internal and external commercial leasing costs	**(132)**	(145)	(9.0)%
AFFO	**$25,669**	$22,012	16.6%
AFFO per unit – basic	**$0.22**	$0.21	4.8%
AFFO per unit – diluted	**$0.22**	$0.21	4.8%
AFFO payout ratio – diluted	**78%**	83%	(500) bps
Weighted average number of units – basic (000s)	**114,408**	107,139	6.8%
Weighted average number of units – diluted (000s)	**114,571**	107,300	6.8%

The payout ratio of 78% for the three months ended December 31, 2021, improved 500 bps compared to the same period of 2020. The stability is attributable to a 16.6% increase in AFFO, driven by contributions from acquisitions and developments and same property NOI growth, offset by the impact of the increase in the weighted average number of units outstanding.

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

PART IX

Selected Consolidated Financial Information

For the years ended December 31,	**2021**	2020	2019
Property revenue	**$290,917**	$261,690	$242,164
Net income	**$285,527**	$146,040	$283,525
FFO	**$119,235**	$104,678	$93,884
FFO per unit – diluted	**$1.07**	$1.00	$0.98
Investment properties	**$4,540,877**	$3,741,918	$3,320,604
Total assets	**$4,578,507**	$3,776,560	$3,380,100
Total liabilities	**$2,467,038**	$2,008,302	$1,777,733
Distribution per unit	**$0.69**	$0.68	$0.66

Risk Management

Killam faces a variety of risks, the majority of which are common to real estate entities. These risks include (i) changes in general economic conditions, (ii) changes in local conditions (such as an oversupply of units or a reduction in demand for real estate in an area), (iii) changes to government regulations (such as new or revised residential tenant legislation), (iv) competition from others with available units, and (v) the ability of the property owner to provide adequate maintenance economically.

Real estate is relatively illiquid and therefore can tend to limit Killam’s ability to rebalance its portfolio promptly in response to changing economic or investment conditions. In addition, financial difficulties of other property owners, resulting in distress sales, may depress real estate values in the markets in which Killam operates. Killam’s exposure to general risks associated with real estate investments is mitigated by its geographic and sector diversification due to investments in apartments, MHCs, and commercial properties.

Killam is exposed to other risks, as outlined below:

Pandemic Risk and Economic Downturn
On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. The transmission of COVID-19, and its variants, and efforts to contain its spread have resulted in, and may continue to result in, international, national and local border closings, significant disruptions to business operations, financial markets, regional economies and the world economy and other changes to services, as well as considerable general concern and uncertainty. Such disruptions could adversely affect the ability of Killam’s tenants to pay rent and increase Killam's credit risk. In addition, the COVID-19 pandemic and other outbreaks could materially interrupt Killam's supply chain and service providers, which could have material adverse effects on Killam's ability to maintain and service its properties. There can be no assurance that a disruption in financial markets, regional economies and the world economy, and the government measures to contain COVID-19, and its variants, will not negatively affect the financial performance or fair values of Killam's investment properties in a material manner.

Killam’s response to the COVID-19 pandemic is guided by local public health authorities and governments. Killam continues to closely monitor business operations and may take further actions that respond to directives of governments and public health authorities or that are in the best interests of employees, tenants, suppliers or other stakeholders, as necessary. These changes and any additional changes in operations in response to COVID-19 could materially impact the business, operations and financial results of Killam. The COVID-19 situation continues to change rapidly and uncertainties remain with respect to the severity and duration of a resurgence in COVID-19 or its variants, the speed and extent to which normal economic conditions are able to resume, and the effectiveness of government and central bank responses to the effects of the COVID-19 pandemic. There are no comparable recent events that provide guidance as to the effect the spread of COVID-19, and its variants, may have, and, as a result, it is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of Killam for future periods.

Interest Rate Risk
Interest rate risk is the risk that Killam would experience lower returns as the result of its exposure to a higher interest rate environment. Killam is exposed to interest rate risk as a result of its mortgages and loans payable; however, this risk is mitigated through Killam's strategy to have the majority of its mortgages payable in fixed-term arrangements. Killam also structures its financings to stagger the maturities of its debt, minimizing Killam's exposure to interest rates in any one year.

As at December 31, 2021, $147.6 million of Killam's debt had variable interest rates, including four construction loans totalling $77.6 million, amounts drawn on credit facilities of $61.7 million and one demand loan totalling $8.3 million. These loans and facilities have interest rates of prime plus 0.4%–1.25% or 105–245 bps above BAs (December 31, 2020 - prime plus 0.5%–1.25% or 160–250 bps above BAs), and consequently, Killam is exposed to short-term interest rate risk on these loans.

Inflation Risk
Killam does not believe that inflation has had a material effect on its business, financial condition or results of operations to date; however, if Killam's development, construction, operation or labour costs were to become subject to significant inflationary pressures, Killam may not be able to fully offset such higher costs through increases in rent to its tenants. Killam's inability or failure to do so could harm Killam's business, financial condition and results of operations.

Liquidity Risk
Liquidity risk is the risk that Killam may not have access to sufficient capital to fund its growth program or refinance its debt obligations as they mature. Killam manages cash resources based on financial forecasts and anticipated cash flows. The maturities of Killam's long-term financial liabilities are set out in note 25 to the consolidated financial statements. Killam staggers the maturities of its debt, minimizing exposure to liquidity risk in any year. In addition, Killam's apartments qualify for CMHC-insured debt, reducing the refinancing risk on maturity. Killam's MHCs and commercial properties do not qualify for CMHC-insured debt; however, they continue to have access to mortgage debt.

Credit Risk
Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill the commitments of their lease. Killam mitigates the risk of credit loss through the diversification of its existing portfolio and limiting its exposure to any one tenant. Credit assessments are conducted for all new leases, and Killam also obtains a security deposit to assist in potential recovery requirements. Killam's bad debt expense has historically been less than 0.3% of revenues, and none of Killam's tenants account for more than 3% of tenant receivables.

Cyber Security Risk
A cyber incident is any adverse event that threatens the confidentiality, integrity or availability of Killam's information technology resources. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to information systems to disrupt operations, corrupt data or steal confidential information. Killam's primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to its reputation, damage to relationships with its vendors and tenants, and disclosure of confidential vendor or tenant information. Killam has implemented processes, procedures and controls to mitigate these risks, but these measures, as well as its increased awareness of a risk of a cyber incident, do not guarantee that its financial results will not be negatively impacted by such an incident.

Increased Supply Risk
Increased supply risk is the risk of loss from competition from new rental units in Killam's core markets. Numerous residential developers and apartment owners compete for potential tenants. Although it is Killam's strategy to own multi-family residential properties in premier locations in each market in which it operates, some of the apartments or MHCs of Killam's competitors may be newer, better located, offer lower rents or have additional rental incentives. An increase in alternative housing could have a material adverse effect on Killam's ability to lease units, and the rents charged and could adversely affect Killam's revenues and ability to meet its obligations. To mitigate against this risk, Killam has a geographically diverse asset base. Management is expanding this diversification by increasing Killam's investment in apartment markets outside Atlantic Canada.

Development Risk
Development risk is the risk that costs of developments will exceed original estimates, unforeseen delays will occur and/or units will not be leased in the timeframe and/or at rents anticipated. To reduce Killam's exposure to cost increases, it enters into fixed-price contracts when possible. To reduce the lease-up risk, Killam does market research in advance of each development to support expected rental rates and premarkets its properties early on in the process, to increase demand for the new developments.

Environmental Risk
As an owner of real estate, Killam is subject to federal, provincial and municipal environmental regulations. These regulations may require Killam to fund the costs of removal and remediation of certain hazardous substances on its properties or releases from its properties. The failure to remediate such properties, if any, could adversely affect Killam's ability to borrow using the property as collateral or to sell the real estate. Killam is not aware of any material non-compliance with environmental laws at any of its properties. Killam has made, and will continue to make, the necessary capital expenditures to comply with environmental laws and regulations. Environmental laws and regulations can change rapidly, and Killam may be subject to more stringent environmental laws and regulations in the future. Killam mitigates its risk of losses associated with oil tank leaks by enforcing the requirement for appropriate insurance, performing regular oil tank inspections, and enforcing the removal of oil tanks when homes are sold at its MHC communities.

General Uninsured Losses
Killam does not and will not carry insurance with respect to all potential casualties, damages, losses and disruptions. Killam does carry comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customary for the industry. There are, however, certain types of risks (generally of a catastrophic nature) that are either uninsurable or would not be economically insurable. There can be no assurance that the insurance proceeds received by Killam in respect of a claim will be sufficient in any particular situation to fully compensate Killam for losses and liabilities suffered. Losses and liabilities arising from uninsured or under insured events could adversely affect Killam's business, financial condition or results of operations.

Rent Control Risk
Rent control exists in some provinces in Canada, limiting the percentage of annual rental increases to existing tenants. Killam is exposed to the risk of the implementation of, or amendments to, existing legislative rent controls in the markets in which it operates, which may have an adverse impact on Killam's operations. In the provinces in which Killam currently operates, Prince Edward Island, Ontario and British Columbia have rent controls. As well, Nova Scotia has rent control for MHCs.

In response to COVID-19, Ontario capped residential rents on existing tenants for 2022 at 1.2% and British Columbia capped residential rent increases on existing tenants at 1.5% for 2022. Nova Scotia currently has measures in place in response to COVID-19, limiting the maximum allowable rental increase on renewal to 2.0%. These temporary measures in Nova Scotia are in place until the end 2023.

The lack of availability of affordable housing and related housing policy and regulations is continuing to increase in prominence as a topic of concern at the various levels of government.

Accordingly, through different approaches, governments may enact policy, or amend legislation in a manner that may have a material adverse effect on the ability for Killam to grow or maintain the historical level of cash flow from its properties.

In addition, laws and regulations providing for compliance with various housing matters involving tenant evictions, work orders, health and safety issues or fire and maintenance standards, etc., including in relation to the ongoing COVID-19 pandemic, may become more stringent in the future. Killam may incur increased operating costs as part of its compliance with any such additional government legislation and regulations relating to housing matters, which may have an adverse effect on revenues.

Utility, Energy and Property Tax Risk

Killam is exposed to volatile utility and energy costs and increasing property taxes. Killam has the ability to raise rents on the anniversary date of its leases, subject to the overall rental market conditions, to offset rising energy and utility costs; however, rental increases may be limited by market conditions or regulation. Killam invests in energy-efficiency initiatives to reduce its reliance on utility costs; however, Killam remains exposed to price volatility and carbon tax on natural gas and heating oil. Killam has the ability to fix rates through the use of swap contracts for a portion of its oil and fixed contracts through suppliers for natural gas consumption to reduce the impact of fluctuations in commodity prices. The impact of such volatility could be increased if such utility costs cannot be hedged. To address the risk of property tax increases, Killam, along with the assistance of outside consultants, reviews property tax assessments and, where warranted, appeals them.

Fluctuation and Availability of Cash Distributions

Killam's distribution policy is established pursuant to the DOT and may only be changed with the approval of a majority of unitholders. However, the Board of Trustees may reduce or suspend cash distributions indefinitely, which could have a material adverse effect on the market price of the trust units. There can be no assurance regarding the amount of income to be generated by Killam's properties.

The ability of Killam to make cash distributions, and the actual amount distributed, will be entirely dependent on the operations and assets of Killam, and will be subject to various factors, including financial performance, obligations under applicable credit facilities, fluctuations in working capital, the sustainability of income derived from the tenant profile of Killam's properties, and capital expenditure requirements. Distributions may be increased, reduced or suspended entirely depending on Killam's operations and the performance of Killam's assets at the discretion of the Trustees. The market value of the trust units may deteriorate if Killam is unable to meet its distribution targets in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return of investors.

Ability of Unitholders to Redeem Units

The entitlement of unitholders to receive cash upon the redemption of their trust units is subject to the following limitations: (i) the total amount payable by Killam in respect of such trust units and all other trust units tendered for redemption in the same calendar month must not exceed $50,000 (provided that such limitation may be waived at the discretion of the Trustees); (ii) at the time such trust units are tendered for redemption, the outstanding trust units must be listed for trading on a stock exchange or traded or quoted on another market that the Trustees consider, in their sole discretion, provides fair market value prices for the trust units; (iii) the trading of trust units is not suspended or halted on any stock exchange on which the trust units are listed (or, if not listed on a stock exchange, on any market on which the trust units are quoted for trading) on the redemption date for more than five trading days during the 10-day trading period commencing immediately after the redemption date; and (iv) the redemption of the trust units must not result in the delisting of the trust units from the principal stock exchange on which the trust units are listed.

Exchangeable Units

Holders of exchangeable units may lose their limited liability in certain circumstances, including by taking part in the control or management of the business of Killam Apartment Limited Partnership (“Limited Partnership”). The principles of law in the various jurisdictions of Canada recognizing the limited liability of the limited partners of limited partnerships subsisting under the laws of one province but carrying on business in another province have not been authoritatively established. If limited liability is lost, there is a risk that holders of exchangeable units may be liable beyond their contribution of capital and share of undistributed net income of the Limited Partnership in the event of judgment on a claim in an amount exceeding the sum of the net assets of the General Partner and the net assets of the Limited Partnership. Holders of exchangeable units remain liable to return to the Limited Partnership for such part of any amount distributed to them as may be necessary to restore the capital of the Limited Partnership to the amount existing before such distribution if, as a result of any such distribution, the capital of the Limited Partnership is reduced and the Limited Partnership is unable to pay its debts as they become due.

Taxation-Related Risks

Killam currently qualifies as a mutual fund trust for Canadian income tax purposes. It is the current policy of Killam to distribute all of its taxable income to unitholders, and it is therefore generally not subject to tax on such amount. In order to maintain its current mutual fund trust status, Killam is required to comply with specific restrictions regarding its activities and the investments held by it. Should Killam cease to qualify as a mutual fund trust, the consequences could be adverse.

There can be no assurance that Canadian federal income tax laws in respect of the treatment of mutual fund trusts will not be changed in a manner that adversely affects Killam or its unitholders. If Killam ceases to qualify as a “mutual fund trust”, it will be required to pay a tax under Part XII.2 of the Income Tax Act ("Tax Act").

The payment of Part XII.2 tax by Killam may have adverse income tax consequences for certain of Killam's unitholders, including non-resident persons and trusts governed by registered retirement savings plans, registered disability savings plans, deferred profit-sharing plans, registered retirement income funds, tax-free savings accounts and registered education savings plans ("designated savings plans"), which acquired an interest in Killam directly or indirectly from another Killam unitholder. If Killam ceases to qualify as a "mutual fund trust" under the Tax Act and Killam units cease to be listed on a designated stock exchange, Killam units will cease to be qualified investments for trusts governed by designated savings plans. Killam will endeavour to ensure its trust units continue to be qualified investments for trusts governed by the designated savings plans; however, there can be no assurance that this will be so.

The Tax Act imposes penalties for the acquisition or holding of non-qualified investments by such trusts. Unitholders should consult their own tax advisors in this regard, including as to whether Killam units are "prohibited investments" for registered retirement savings plans, registered retirement income funds, registered education savings plans, registered disability savings plans or tax-free savings accounts.

Certain rules in the Tax Act (the "SIFT Rules") affect the tax treatment of specified investment flow-through trusts ("SIFT trusts") and their unitholders. A trust resident in Canada will generally be a SIFT trust for a particular taxation year for purposes of the Tax Act if, at any time during the taxation year, investments in the trust are listed or traded on a stock exchange or other public market and the trust holds one or more "non-portfolio properties" as defined in the Tax Act. Non-portfolio properties generally include certain investments in real properties situated in Canada and certain investments in corporations and trusts resident in Canada and in partnerships with specified connections to Canada. However, a trust will not be considered to be a SIFT trust for a taxation year if it qualifies as a "real estate investment trust" (as defined in the Tax Act) for that year (the "REIT Exception").

Pursuant to the SIFT Rules, distributions of a SIFT trust's "non-portfolio earnings" are not deductible to the SIFT trust in computing its income. Non-portfolio earnings are generally defined as income attributable to a business carried on by the SIFT trust in Canada or to income (other than dividends) from, and taxable capital gains from the disposition of, non-portfolio properties. The SIFT trust is itself liable to pay income tax on an amount equal to the amount of such non-deductible distributions at a rate that is substantially equivalent to the combined federal and provincial general tax rate applicable to taxable Canadian corporations. Such non-deductible distributions paid to a holder of units of the SIFT trust are generally deemed to be taxable dividends received by the holder of such units from a taxable Canadian corporation. Such deemed dividends will qualify as "eligible dividends" for purposes of the enhanced gross-up and dividend tax credit rules in the Tax Act if paid to any individual resident in Canada. Distributions that are paid as returns of capital will not attract this tax.

A trust that satisfies the REIT Exception is excluded from the definition of a SIFT trust in the Tax Act and is therefore not subject to the SIFT Rules. In addition to the trust being resident in Canada throughout the year, the following five criteria must be met in order for the Trust to qualify for the REIT Exception:

- At each time in the taxation year, the total fair market value at that time of all "non-portfolio properties" that are "qualified REIT properties" held by the Trust must be at least 90% of the total fair market value at that time of all non-portfolio properties held by the Trust;
- Not less than 90% of the Trust's "gross REIT revenue" for the taxation year is from one or more of the following: "rent from real or immovable properties", interest, capital gains from dispositions of "real or immovable properties" that are capital properties, dividends, royalties and dispositions of "eligible resale properties";
- Not less than 75% of the Trust's gross REIT revenue for the taxation year is derived from one or more of the following: rent from real or immovable properties, interest from mortgages on real or immovable properties, capital gains from dispositions of real or immovable properties that are capital properties;
- At no time in the taxation year can the total fair market value of properties comprising real or movable property that is capital property, an "eligible resale property", cash, deposits (within the meaning of the *Canada Deposit Insurance Corporation Act* or with a branch in Canada of a bank or a credit union), indebtedness of Canadian corporations represented by banker's acceptances, and debt issued or guaranteed by the Canadian government or issued by a province, municipal government or certain other qualifying public institutions be less than 75% of the "equity value" (in each case, as defined in the Tax Act) of the Trust at that time; and
- Investments in the Trust must be, at any time in the taxation year, listed or traded on a stock exchange or other public market.

The SIFT Rules contain a "look-through rule" under which a trust could qualify for the REIT Exception where it holds properties indirectly through intermediate entities, provided that each such entity, assuming it were a trust, would satisfy paragraphs (1) through (4) of the REIT Exception above. The REIT Exception does not fully accommodate the current business structures used by many Canadian REITs and contains a number of technical tests that many Canadian REITs, including the Trust, may find difficult to satisfy. The Trust will endeavour to ensure that the Trust will qualify for the REIT Exception at all times during each taxation year, and each direct and indirect subsidiary of the Trust will qualify as an "excluded subsidiary entity" (as defined in the Tax Act) such that the Trust will not be a SIFT trust within the meaning of the SIFT Rules at any time. However, there can be no assurance that this will be so. There can also be no assurance that the investments or activities undertaken by the Trust in a taxation year will not result in the Trust failing to qualify for the REIT Exception for that taxation year.

If the Trust does not qualify for the REIT Exception for a taxation year, the SIFT Rules will apply to the Trust for that year. Application of the SIFT Rules may, depending on the nature of distributions from the REIT, including what portion of its distributions is income and what portion is returns of capital, have a material adverse effect on the after-tax returns of certain unitholders. Such adverse tax consequences may impact the future level of cash distributions made by the Trust, the ability of the Trust to undertake future financings and acquisitions and could also adversely affect the marketability of the Trust's securities.

The REIT Exception is applied on an annual basis. Accordingly, if the Trust did not qualify for the REIT Exception in a particular taxation year, it may be possible to restructure the Trust such that it may qualify in a subsequent taxation year.

There can be no assurances, however, that the Trust will be able to restructure such that it will not be subject to the tax imposed by the SIFT Rules, or that any such restructuring, if implemented, would not result in material costs or other adverse consequences to the Trust and unitholders. The Trust intends to take such steps as are necessary to ensure that, to the extent possible, it qualifies for the REIT Exception and any negative effects of the SIFT Rules on the Trust and unitholders are minimized.

Other Canadian Tax Matters

There can be no assurance that Canadian federal income tax laws, the terms of the Canada-United States Income Tax Convention, or the administrative policies and assessing practices of the Canada Revenue Agency will not be changed in a manner that adversely affects the REIT or unitholders. Any such change could increase the amount of tax payable by the REIT or its affiliates and/or unitholders or could otherwise adversely affect unitholders by reducing the amount available to pay distributions or changing the tax treatment applicable to unitholders in respect of distributions. In structuring its affairs, the Trust consults with its tax and legal advisors and receives advice as to the optimal method in which to complete its business objectives while at the same time minimizing or deferring taxes, where possible. There is no guarantee that the relevant taxing authorities will not take a different view as to the ability of the Trust to utilize these strategies. It is possible that one or more taxing authorities may review these strategies and determine that tax should have been paid, in which case the Trust may be liable for such taxes.

Competition for Real Property Investments

Killam competes for suitable real property investments with individuals, corporations and institutions (both Canadian and foreign) that are presently seeking, or that may seek in the future, real property investments similar to those desired by Killam. Many of these investors will have greater financial resources than those of the Trust. An increase in the availability of investment funds, and an increase in interest of real property investments, would tend to increase competition for real property investments, thereby increasing purchase prices and reducing yields therefrom. In addition, Killam may require additional financing to complete future real property acquisitions, which may not be available on terms acceptable to Killam.

Future Acquisitions of Real Property Investments

Unitholders will have no advance opportunity to evaluate the merits and risks of any future acquisitions of real property investments made by Killam and will need to rely on the experience and judgment of Management. There can be no assurance that any such acquisitions will be successfully completed. Management and the Board will have responsibility for and substantial discretion in the making of such acquisitions. Therefore, the future profitability of Killam will depend upon the ability of Management to identify and complete commercially viable acquisitions.

Zoning and Approval

Future acquisitions and development projects may require zoning and other approvals from local government agencies. The process of obtaining such approvals may take months or years, and there can be no assurance that the necessary approvals for any particular project will be obtained. Holding costs accrue while regulatory approvals are being sought, and delays could render future acquisitions and developments uneconomical.

Dependence on Key Personnel

The success of Killam will be largely dependent upon the quality of its Management and personnel. Loss of the services of such persons, or the inability to attract personnel of equal ability, could adversely affect Killam's business operations and prospects.

Market for Securities and Price Volatility

There can be no assurance that an active trading market in Killam's securities will be sustained. In addition, the market price for Killam's securities could be subject to wide fluctuations. Factors such as announcements of quarterly variations in operating results, changes in interest rates, as well as market conditions in the industry, may have a significant impact on the market price of the securities of Killam. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies. At times, following periods of volatility in the market price of some companies' securities, securities litigation has been instituted against such companies. The institution of this type of litigation against Killam could result in substantial costs and a diversion of Management's attention and resources, which could harm the Trust's business and prospects.

Co-ownership

Killam has co-ownership of four properties (seven buildings), two development projects and two parcels of land for future development that are subject to joint control and are joint operations. Risks associated with co-ownership include the risk of non-payment for operating and capital costs from the partner, risk of inability to finance a property associated with a joint venture or limited partnership, and the risk of a partner selling their interest in the properties. If any such risks materialize it may have an adverse effect on Killam's business, financial condition or results of operations

Ground Leases

Four of Killam’s properties, including 6101 South Street and Chapter House located in Halifax, Oceanic Camping located in Shediac, New Brunswick, and 1033 Queen Street West in Toronto, are subject to long-term ground leases in which the underlying land is owned by an arms-length third party and leased to Killam. Under the terms of the ground lease, Killam must pay rent for the use of the land and is generally responsible for all the costs and expenses associated with the building and improvements. Unless the lease term is extended, the land, together with all the improvements made, will revert to the owner of the land upon the expiration of the lease. The leases are scheduled to expire in 2040 (there is an option for a ten-year renewal), 2080, 2105 and 2059, respectively. The total ground lease payments for the year ended December 31, 2021, were $0.3 million (December 31, 2020 - $0.3 million).

Climate Change and Environmental Laws
Killam is exposed to physical climate change risk, including rising sea levels, natural disasters, and severe weather, such as heavy rain and flooding, high winds, wildfires, blizzards, ice storms and thunderstorms, that may cause damage to its investment properties. As weather becomes more erratic, damage to investment properties may result in increased restoration costs, loss of revenue in the event of business disruption, potential decrease in property values and increased costs to insure properties against climate-related risks. Physical and transitional climate-related risks are considered by the Trust as part of its ongoing risk management processes. The materiality of such risks varies among the business operations of Killam and the jurisdictions in which such operations are conducted. Despite the potential uncertainties and longer-time horizon associated with any such risks, the Trust considers the impacts of climate change related risks over the short, medium and long terms. In the long term, Killam plans to move towards operating its portfolio with net-zero carbon emissions to combat its impact on climate change.

In addition, environmental legislation and policies, which can change rapidly, have become increasingly important and generally more restrictive in recent years. Under various federal, provincial and local environmental laws, ordinances and regulations, Killam could be liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in monitoring its properties or disposed of by or on behalf of Killam at other locations. The failure to remove, monitor or remediate any such substances, if any, may adversely affect Killam’s ability to sell its real estate, or to borrow using such real estate as collateral, and could potentially also result in regulatory enforcement proceedings and/or private claims against Killam. Although Killam is not aware of any material noncompliance with environmental laws at any of its properties nor is it aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties or any material pending or threatened claims relating to environmental conditions at its properties, no assurance can be given that environmental laws will not result in significant liability to Killam in the future or otherwise adversely affect Killam’s business, financial condition or results of operations.

ESG Targets and Commitments

Killam has announced certain targets and ambitions relating to ESG, to achieve these goals and to respond to changing market demand, Killam may incur additional costs and invest in new technologies. It is possible that the return on these investments may be less than Killam expects, which may have an adverse effect on its business, financial condition and reputation. Generally speaking, Killam's ability to meet its targets depends significantly on Killam's ability to execute its current business strategy, related milestones and schedules, each of which can be impacted by the numerous risks and uncertainties associated with our business and the industries in which it operates, as outlined in the other risk factors described in this MD&A.

Killam recognizes that investors and stakeholders increasingly compare companies based on ESG-related performance. Failure by Killam to achieve its ESG targets, or a perception among key stakeholders that our ESG targets are insufficient, could adversely affect, among other things, Killam's cost of capital, reputation and ability to attract capital.

There is also a risk that some or all of the expected benefits and opportunities of achieving the various ESG targets may fail to materialize, may cost more to achieve or may not occur within the anticipated time periods. In addition, there are risks that the actions taken by Killam in implementing targets and ambitions relating to ESG may have a negative impact on its existing business and operations and increase capital expenditures, which could have a negative impact on Killam's business, financial condition, results of operations and cash flows.

Legal Rights Normally Associated with the Ownership of Shares of a Corporation
As holders of units, unitholders do not have all of the statutory rights normally associated with ownership of shares of a company including, for example, the right to bring “oppression” or “derivative” actions against the Trust. The units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of that Act or any other legislation. Furthermore, the Trust is not a trust company and, accordingly, is not registered under any trust and loan company legislation, as it does not carry on or intend to carry on the business of a trust company.

Critical Accounting Policies and Significant Accounting Judgments, Estimates and Assumptions

Critical Judgments in Applying Accounting Policies

The following are the critical judgments, apart from those involving estimations (see Key Accounting Estimates and Assumptions below) that have been made in applying the Trust’s accounting policies and that have the most significant effect on the reported amounts in the consolidated financial statements:

(i) Income taxes
The Trust applies judgment in determining the tax rates applicable to its corporate subsidiaries and identifying the temporary differences in each of such legal subsidiaries in respect of which deferred income taxes are recognized. Deferred taxes related to temporary differences arising from its corporate subsidiaries are measured based on the tax rates that are expected to apply in the year when the asset is realized or the liability is settled. Temporary differences are differences that are expected to reverse in the future and arise from differences between accounting and tax asset values.

(ii) Investment property and internal capital program
The Trust’s accounting policy relating to investment properties is described in note 2(G). In applying this policy, judgment is applied in determining the extent and frequency of utilizing independent, third-party appraisals to measure the fair value of the Trust’s investment properties.

Additionally, judgment is applied in determining the appropriate classes of investment properties in order to measure fair value. The Trust also undertakes internal capital improvements and upgrades. Such work is specifically identified, and the Trust applies judgment in the estimated amount of directly attributable salaries to be allocated to capital improvements and upgrades of its investment properties.

(iii) Financial instruments
The Trust's accounting policies relating to financial instruments are described in note 2(M). Critical judgments inherent in these policies related to applying the criteria set out in IFRS 9 and IAS 32 to determine the appropriate recognition model, i.e. FVTPL, etc., assess the effectiveness of hedging relationships and determine the identification of embedded derivatives, if any, that are subject to fair value measurement.

(iv) Basis of consolidation
The consolidated financial statements of the Trust include the accounts of Killam and its wholly owned subsidiaries, as well as entities over which the Trust exercises control on a basis other than ownership of voting interest within the scope of IFRS 10, *Consolidated Financial Statements*. Judgment is applied in determining if an entity meets the criteria of control as defined in the accounting standard.

(v) Revenue recognition
The Trust applies judgment about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The Trust concluded that revenue for property management and ancillary services is to be recognized over time because the tenant simultaneously receives and consumes the benefits provided by the Trust. Rents charged to tenants are generally charged on a gross basis, inclusive of property management and ancillary services. If a contract is identified as containing more than one performance obligation, the Trust allocates the total transaction price to each performance obligation in an amount based on an expected cost plus a margin approach.

Key Accounting Estimates and Assumptions
The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Actual results could differ from estimates.

(i) Valuation of investment properties
The choice of valuation method and the critical estimates and assumptions underlying the fair value determination of investment properties are set out in note 5. Significant estimates used in determining the fair value of the Trust's investment properties include capitalization rates and stabilized net operating income used in the overall capitalization rate valuation method. A change to any one of these inputs could significantly alter the fair value of an investment property. Please refer to note 5 for sensitivity analysis.

IPUC and land held for development are also valued at fair value, except if such values cannot be reliably determined. In the case when fair value cannot be reliably determined, such property is recorded at cost.

(ii) Deferred unit-based compensation
The compensation costs relating to deferred unit-based compensation are based on estimates of how many deferred units will be awarded, how many will actually vest and be exercised, as well as valuation models, which by their nature are subject to measurement uncertainty.

(iii) Deferred taxes

The amount of the temporary differences between the accounting carrying value of the Trust's assets and liabilities held in various corporate subsidiaries versus the tax bases of those assets and liabilities, and the tax rates at which the differences will be realized are outlined in note 22.

Future Accounting Policy Changes

The following new or amended accounting standards under IFRS have been issued or revised by the IASB; however, they are not yet effective and, as such, have not been applied to the consolidated financial statements.

Amendments to IAS 1, Presentation of Financial Statements, Amendments to Classification of Liabilities as Current or Non-Current
In January 2020, the IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify the definition of a right to defer settlement and specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists.

The amendments are effective for annual periods beginning on or after January 1, 2023. The amendments must be applied retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Earlier application is permitted. Killam is in the process of assessing the impact the amendments may have on future financial statements and plans to adopt the new standard retrospectively on the required effective date.

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

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.

Disclosure Controls and Procedures

As of December 31, 2021, Management evaluated the effectiveness of the operation of its disclosure controls and procedures ("Disclosure Controls"), as defined under rules adopted by the Canadian Securities Administrators. This evaluation was performed under the supervision of, and with the participation of, the Chief Executive Officer and the Chief Financial Officer, with the assistance of Management.

Disclosure controls and procedures are designed to ensure that information required to be disclosed in documents filed with securities regulatory authorities is recorded, processed, summarized and reported on a timely basis, and is accumulated and communicated to Management, including the President and Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Based on the evaluation of Disclosure Controls, the Chief Executive Officer and the Chief Financial Officer have concluded that, subject to the inherent limitations noted above, Disclosure Controls are effective in ensuring that material information relating to Killam and its consolidated subsidiaries is made known to Management on a timely basis by others within those entities, and is included as appropriate in this MD&A.

Internal Controls over Financial Reporting

Internal controls over financial reporting (ICFR) are designed to provide reasonable assurance regarding the reliability of Killam's financial reporting and its preparation of financial statements for external purposes in accordance with IFRS. Management's documentation and assessment of the effectiveness of Killam's ICFR continues as of the date of this MD&A, with the focus on processes and controls in areas identified as being "key risks".

As at December 31, 2021, Killam's President and Chief Executive Officer and its Chief Financial Officer, with the assistance of Management, assessed the effectiveness of the ICFR using the criteria set forth in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013 and, based on that assessment, determined that the ICFR were designed and operating effectively as at December 31, 2021. Killam did not make any changes to the design of ICFR in 2021 that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting.

Related Party Transactions

From January 1, 2021 to May 7, 2021, Killam paid a former Trustee, that did not offer to stand for re-election at Killam's May 2021 Annual General Meeting, $0.1 million (for the year ended December 31, 2020 - $0.3 million) related to the construction of two apartment buildings and the acquisition of land for future development.

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

The remuneration of directors and other key management personnel includes the Board of Trustees, President & Chief Executive Officer, Executive Vice President, Chief Financial Officer and other Vice-Presidents of Killam, is as follows:

For the years ended December 31,	**2021**	2020
Salaries, board compensation and incentives	**$6,162**	$5,138
Deferred unit-based compensation	**2,078**	1,727
Total	**$8,240**	$6,865

Subsequent Events

On January 17, 2022, Killam announced a distribution of $0.05833 per unit, payable on February 15, 2022, to unitholders of record on January 31, 2022.

On February 4, 2022, Killam closed a public offering of 4,715,000 trust units for gross proceeds of approximately $98.1 million.