Q3-2015 Management's Discussion Analysis

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

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PART I

Basis of Presentation

The following Management's Discussion and Analysis ("MD&A") has been prepared by Management and focuses on key statistics from the consolidated financial statements and pertains to known risks and uncertainties. To ensure that the reader is obtaining the best overall perspective, this MD&A should be read in conjunction with material contained in the Company's audited consolidated financial statements for the years ended December 31, 2014, and 2013. The consolidated financial statements for the years ended December 31, 2014, and 2013, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These documents, along with the Company's 2014 Annual Information Form, are available on SEDAR at www.sedar.com. The discussions in this MD&A are based on information available as at November 3, 2015.

Forward-looking Statements

Certain statements in this MD&A constitute "forward-looking statements". In some cases, forward-looking statements can be identified by the use of words such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "potential", "continue" or the negative of these terms or other comparable terminology, and by discussions of strategies that involve risks and uncertainties. Readers should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those anticipated or implied, or those suggested by any forward looking statements, including: competition, national and regional economic conditions and the availability of capital to fund further investments in Killam's business. Further information regarding these risks, uncertainties and other factors may be found under the heading "Risk Management" in this MD&A and in the Company's most recent Annual Information Form. Given these uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements contained, or incorporated by reference, in this MD&A.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events may not occur. Although Management believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that future results, levels of activity, performance or achievements will occur as anticipated. Neither Killam nor any other person assumes responsibility for the accuracy and completeness of any forward-looking statements, and no one has any obligation to update or revise any forward-looking statement, whether as a result of new information, future events, circumstances, or such other factors which affect this information, except as required by law. The forward-looking statements in this document are provided for the limited purpose of enabling current and potential investors to evaluate an investment in the Company. Readers are cautioned that such statements may not be appropriate and should not be used for any other purpose.

Non-IFRS Measures

There are measures included in this MD&A that do not have a standardized meaning under IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies. The Company includes these measures as a means of measuring financial performance.

- Net operating income ("NOI") is calculated by the Company as income from property operations. The use of NOI when referring to a particular segment is calculated as property revenue less property operating costs for that segment.
- Funds from operations ("FFO") are calculated by the Company as net income plus deferred tax expense, depreciation on owner-occupied property, loss on disposition and tax planning costs relating to the Company's recently announced proposed reorganization into a REIT conversion, less fair value gain, gain on disposition and non-controlling interest. Killam's definition of FFO is calculated in accordance with the REALpac definition except for the add back of REIT tax planning costs as noted above. REALpac does not address this specific type of adjustment.
- Adjusted funds from operations ("AFFO") are calculated by the Company as FFO less the industry standard of $450 per apartment unit for "maintenance" versus "NOI enhancing" related capital costs and $100 per Manufactured Home Community ("MHC") site, although the MHC industry does not have a standard amount for "maintenance" related capital costs.
- Same store results in relation to the Company are revenues and property operating expenses for stabilized properties the Company has owned for equivalent periods in 2015 and 2014 (91% of the portfolio based on the September 30, 2015 unit count).
- Capitalization Rate ("cap-rate") is the rate calculated by dividing the forecasted NOI from a property by the property's fair value.
- Interest coverage is calculated by dividing the earnings before interest, tax, depreciation, gain or loss on disposition and fair value adjustments by interest expense.
- Debt service coverage is calculated by dividing the earnings before interest, tax, depreciation, gain or loss on disposition and fair value adjustments by interest expense and principal mortgage repayments.

PART II

Business Overview

Killam Properties Inc., based in Halifax, Nova Scotia ("NS"), is one of Canada's largest residential landlords, owning, operating, managing and developing multi-family residential and MHC properties. Killam's 175 apartment properties are located predominantly in Atlantic Canada's six largest urban centres, Ontario ("ON") and Calgary, Alberta ("AB"). The Company's 35 MHCs are located in Ontario and Atlantic Canada. The value of Killam's real estate assets at September 30, 2015, was $1.8 billion. Killam is focused on increasing FFO per share, growing its portfolio and maximizing the value of its properties.

Killam was founded in 2000, based on the recognition of an opportunity to create value through the consolidation of apartments in Atlantic Canada and MHCs across Canada. Killam's first apartment was purchased in 2002 and its first MHC was purchased in 2003. From 2002 to 2009, Killam's apartment portfolio grew through the acquisition of properties in Atlantic Canada's six largest cities, namely Halifax, Moncton, Saint John, Fredericton, St. John's and Charlottetown. Killam is now Atlantic Canada's largest residential landlord, with a 13.6% market share of the multi-family rental units in these core markets.

Killam entered the Ontario apartment market in 2010, and today has investments in 16 properties in the province, including apartments in Toronto, Ottawa, London and Cambridge. In 2014, Killam acquired its first apartment property in Calgary. Killam plans to expand its presence in Ontario and Western Canada with additional acquisitions and developments.

Since 2010, Killam has complemented its acquisition program with the construction of apartment buildings and has completed seven projects to date. Currently, the Company has two projects under construction expected to be completed in 2016 and 2017. The apartment business is Killam's largest business segment, accounting for 89% of the Company's NOI from property operations for the nine months ended September 30, 2015. At September 30, 2015, Killam's apartment portfolio consisted of 13,655 units.

In addition, the Company owns MHCs, also known as land-lease communities or trailer parks. Killam owns the land and infrastructure supporting each community and leases the lots to tenants who own their own homes and pay Killam monthly site rent. Killam owns 35 communities (5,165 sites) which accounted for 9% of Killam's NOI for the nine months ended September 30, 2015.

In 2015, Killam completed the acquisition of two commercial properties. The NOI generated from these properties, combined with the income generated from Killam's head office properties, accounted for the remaining 2% of the Company's NOI.

Key Performance Indicators ("KPIs")

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

1) FFO per Share – A standard measure of earnings for real estate entities. Management is focused on growing FFO per share on an annual basis.

2) Rental Increases – Management expects to achieve increases in average rental rates on an annual basis and measures the average rate increases achieved.

3) Occupancy – Management is focused on maximizing occupancy levels while also managing the impact of higher rents. This measure is a percentage based on vacancy divided by gross potential residential rent (in dollars) of total stabilized properties for the quarter.

4) Same Store NOI Growth – This measure considers the Company's ability to increase the NOI at same store properties, removing the impact of acquisitions, dispositions, developments and other non-same store operating adjustments.

5) Weighted Average Interest Rate of Mortgage Debt and Total Debt – Killam monitors the weighted average cost of its mortgage debt and total debt.

6) Debt to Total Assets – Killam measures its debt levels as a percentage of total assets and works to ensure that the debt to total assets does not exceed 65%.

7) Term to Debt Maturity – Management monitors the average number of years to maturity on its debt.

8) Interest Coverage Ratio – A common measure of credit risk used by lenders, this measure considers Killam's ability to pay interest on outstanding debt. Generally, the higher the interest coverage ratio, the lower the credit risk.

9) Debt Service Coverage Ratio – A common measure of credit risk used by lenders, this measure considers Killam's ability to pay interest and principal on outstanding debt. Generally, the higher the debt service coverage ratio, the lower the credit risk.

Q3-2015 Management's Discussion Analysis

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

Financial and Operational Highlights

The following table presents a summary of Killam's financial and operating performance for the three and nine months ended September 30, 2015, and 2014:

Results of Operations

	Three months ended September 30,			Nine months ended September 30,		
	2015	2014	% Change	**2015**	2014	% Change
Property revenue	**$43,193**	$37,777	14.3%	**$124,181**	$109,360	13.6%
NOI	**$27,178**	$23,773	14.3%	**$73,029**	$62,834	16.2%
Income before fair value gain, gain (loss) on disposition and income taxes	**$15,010**	$13,145	14.2%	**$37,085**	$30,492	21.6%
Fair value gain	**$1,368**	$13,382	(89.8)%	**$1,548**	$21,582	(92.8)%
Net income attributable to common shareholders	**$11,462**	$20,491	(44.1)%	**$27,137**	$39,031	(30.5)%
Earnings per share (diluted)	**$0.17**	$0.33	(48.5)%	**$0.42**	$0.66	(36.4)%
FFO	**$14,779**	$12,912	14.5%	**$36,615**	$29,911	22.4%
FFO per share (diluted)	**$0.24**	$0.23	4.3%	**$0.59**	$0.54	9.3%
AFFO per share (diluted)	**$0.21**	$0.21	-%	**$0.51**	$0.46	10.9%
Weighted average number of shares outstanding (diluted)(1) (000's)	**70,104**	62,614	12.0%	**62,161**	55,030	13.0%

(1) Calculated per the FFO calculation as defined on Page 22 of the MD&A.

Same Store Results

	Three months ended September 30,			Nine months ended September 30,		
	2015	2014	% Change	**2015**	2014	% Change
Same store revenue	**$36,671**	$35,740	2.6%	**$106,794**	$104,252	2.4%
Same store expenses	**(13,577)**	(13,535)	0.3%	**(44,595)**	(44,606)	-%
Same store NOI	**$23,094**	$22,205	4.0%	**$62,199**	$59,646	4.3%

Balance Sheet

	As at September 30, 2015	As at December 31, 2014	Change
Investment properties	**$1,822,090**	$1,733,895	5.1%
Total assets	**$1,869,959**	$1,775,234	5.3%
Total liabilities	**$1,185,518**	$1,112,551	6.6%
Total equity	**$684,441**	$662,683	3.3%

Ratios

	As at September 30, 2015	As at December 31, 2014	Change
Total debt to total assets	**55.4%**	54.9%	50 bps
Weighted average mortgage interest rate	**3.32%**	3.60%	(28) bps
Weighted average years to debt maturity	**4.3**	4.4	(0.1) years
Interest coverage (rolling twelve months)	**2.33x**	2.21x	12 bps
Debt service coverage (rolling twelve months)	**1.37x**	1.34x	3 bps

Summary of Q3-2015 Results and Operations

A Third Straight Quarter of Strong NOI Growth

Killam's same store NOI increased 4.0% for the quarter, following 4.0% growth in Q2-2015 and 5.0% growth in Q1-2015. This increase was attributable to the 2.6% increase in net revenues noted below and only a modest increase in property expenses. The largest NOI gains were observed in Fredericton (7.9%), Charlottetown (5.9%) and other Atlantic regions (8.6%). Killam's largest rental market, Halifax, generated a 3.9% increase in same store NOI during Q3-2015.

Growing Rental Rates and Improved Occupancy Drive Same Store Rental Growth

Same store revenue growth of 2.6% was achieved through a 1.2% and 4.4% increase in rental rates related to the apartment and MHC portfolios, as well as a 60 basis point ("bps") increase in apartment occupancy and a 50 bps reduction in rental incentives.

All regions contributed positively to revenue growth with Killam's largest rental market, Halifax, generating a 2.2% increase in same store property revenue during Q3-2015. The largest net revenue gains observed in Killam's other core markets include Fredericton (3.1%) and St. John's (2.7%).

Lower Energy Costs and Operating Efficiencies Curb Expense Growth

Same store property operating expenses increased a modest 0.3% in Q3-2015, achieved by a 2.4% reduction in utility and fuel costs from reduced pricing for both oil and natural gas as well as new efficient boilers and lighting retrofits. Killam also reduced water consumption through its on-going water fixture replacement program, resulting in a 70 bps decrease in same store apartment water costs in Q3-2015. Killam has managed controllable costs, limiting same store operating expenses to a modest increase of 1.1%.

Generated FFO per Share of $0.24

Killam generated FFO per share growth of 4.3% quarter-over-quarter, earning $0.24 in Q3-2015 compared to $0.23 in Q3-2014. The earnings growth was attributable to same store property NOI growth of 4.0%, contributions from stabilized developments and acquisitions and interest expense savings from refinancings, partially offset by an increase in the number of weighted average shares outstanding and higher administration costs.

Developments and Acquisitions Contribute to FFO

Acquisitions and developments completed throughout 2015 and 2014, and two previous developments that were stabilized partway through 2014, contributed $1.6 million to FFO growth in the quarter.

Interest Savings Locked in on Refinancings

Killam successfully refinanced $32.0 million of maturing apartment mortgages with $43.8 million of new debt at a weighted average interest rate of 2.12%, 203 bps lower than the weighted average interest rate prior to refinancing, all for 5-year terms. The Company also refinanced one MHC mortgage at 3.41%, 147 bps lower than the weighted average interest rate prior to refinancing (5-year term). The Company's weighted average interest rate decreased to 3.32% at September 30, 2015, from 3.60% at December 31, 2014.

Expansion of Development Pipeline with $8.4 million Acquisition in Halifax

During the third quarter Killam acquired a combination of commercial and residential assets located directly across from Killam's Spring Garden Terrace property in Halifax. The largest of the properties is known as the Medical Arts building, a 18,000 square foot office building. Killam plans to redevelop the properties in the future. The total purchase price of $8.4 million was satisfied with the issuance of $2.5 million of common shares of Killam and the balance in cash. A new 3-year term, $6.3 million mortgage was placed on the properties during the quarter.

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

Performance Compared to 2015 Key Objectives

Consolidation of Multi-family Residential Real Estate Market and Increase Investment in New Properties	
2015 Target	Complete a minimum of $75 million in acquisitions and continue to develop two current development projects on schedule and within 5% of budget.
2015 Performance	Killam completed $44.2 million in acquisitions during the first nine months of 2015. This includes the acquisition of a commercial property, and 50% interest in adjacent land located in Halifax for $28.0 million, a 59-unit building in Saint John, NB, for $8.3 million and most recently a combination of commercial and residential assets in Halifax for $8.4 million. Achieving the target of $75 million in acquisitions in 2015 will be dependent on the strength of both the acquisition pipeline and the capital markets in the fourth quarter. Year-to-date Killam has completed two development projects. Chelsea Place, a 102-unit development in St. John's was completed on time and on budget in the first quarter of 2015. Saginaw Gardens, a development in Cambridge, ON, containing 122 units, was completed in the second quarter on time and on budget. Chelsea Place is fully leased and Saginaw Gardens is 93% leased and is expected to be fully leased by the end of the year.

Geographic Diversification	
2015 Target	Killam's 2015 acquisition program is to have over 50% of its 2015 acquisitions outside Atlantic Canada, with a focus on Ontario and Alberta.
2015 Performance	Killam did not complete any acquisitions outside Atlantic Canada during the first nine months of 2015. The Company continues to look for opportunities to acquire properties in certain Ontario markets as well as Alberta. Achieving this target will be dependent on the strength of both the acquisition pipeline and the capital markets in the fourth quarter.

Growth in Same Store Net Operating Income	
2015 Target	Same Store NOI growth of 0% to 2% (increased to 2% to 4%).
2015 Performance	Killam achieved positive same store NOI growth of 4.3% for the first nine months of 2015. Given the positive results year- to-date, the Company maintains its revised same store NOI growth target for 2015 of 2% - 4%.

Outlook

NOI Growth for Same Store Properties

Management expects to generate positive same store NOI growth throughout the remainder of 2015 and into 2016. Economic growth in Atlantic Canada and an anticipated decrease in the number of Atlantic Canadians moving west, given lower oil prices, are expected to generate higher occupancy in the region. When combined with rental rate increases and operational efficiencies to manage expenses, Management expects to achieve positive NOI growth of 1% to 3% for 2016.

Developments to Contribute to FFO Growth

Chelsea Place and Saginaw Gardens were both completed during the first half of 2015. These developments have leased up quickly and are expected to contribute positively to FFO per share growth during 2016. In addition, Killam's 70-unit Southport development is expected to be completed during Q3-2016.

Developments to Drive Portfolio Growth

Based on the relatively low yields available in the acquisition market for existing properties, and the relatively high returns available from development, Management is increasing its focus on development for future growth. Killam owns development land for approximately 1,300 additional apartment units; 200 of which are based in Ontario. Development is underway for 310 units and Management expects to begin construction of one or two additional developments in Ontario in 2016. See further discussion on land held for future development in the "Investment Properties" section of the MD&A.

Natural Gas Pricing in Atlantic Canada to Remain High in 2016

Killam's natural gas distributor has entered into supply contracts for the majority of its anticipated natural gas needs for the 2015/2016 winter season, resulting in price certainty for the winter and reducing Killam's exposure to volatile natural gas costs during Q1-2016. Nova Scotia represents approximately 65% of Killam's natural gas exposure. Management expects to pay market prices for natural gas in New Brunswick and Ontario during 2016. Based on information available, Management expects natural gas expenses in 2016 to be similar to 2015 levels.

Reduced Natural Gas Volatility in Atlantic Canada in the Future

Constrained natural gas pipelines and storage capacity in New England and Atlantic Canada, coupled with increased demand from utilities in New England has resulted in historically high natural gas prices in Atlantic Canada over the last three winters. Projects are underway to alleviate the capacity constraints, including pipeline capacity and expansion projects in New England. Spectra Energy has proposed three pipeline projects, which are expected to lead to more stable and affordable gas prices in New England in the future. These projects include the Algonquin Incremental Market (AIM) Project, the Atlantic Bridge Project and Access Northeast. All three projects are projected to be completed by 2018.

In Nova Scotia, AltaGas has begun the construction of a natural gas storage facility. Drilling of three natural gas storage wells located 60 kilometers from Halifax began in August 2014 and may be ready for gas storage in 2018 or 2019. Heritage Gas Limited ("Heritage"), Killam's natural gas distributor in Nova Scotia and a subsidiary of AltaGas, has contracted a significant portion of this capacity, subject to regulatory approval. The project will allow Heritage to purchase and store natural gas at low summer rates and access the gas during periods of higher pricing during cold weather, resulting in more affordable natural gas prices in Nova Scotia during the winter months.

Timing for the completion of these projects varies from Q4-2016 to 2019, but should result in more moderate pricing starting as early as 2016 with increasing supply available at peak times.

Interest Savings on Refinancings

Killam expects to generate $0.8 million in annualized interest savings from mortgages refinanced to-date in 2015. Killam has $12.6 million of apartment and MHC debt maturing during the remainder of 2015 at a weighted average interest rate of 4.65% and $124.0 million maturing in 2016 at a weighted average interest rate of 4.22%.

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

Large Economic Projects in Atlantic Canada

Large economic projects are expected to drive economic and population growth in Atlantic Canada, especially in Nova Scotia. With the modernization of its Halifax shipyard complete, Irving Shipbuilding Inc. began construction on the first phase of its $25 billion shipbuilding contract in September 2015. This project is expected to generate jobs in Halifax and contribute positively to the overall economy. Similarly in New Brunswick, Irving's $450 million investment in its mill upgrade is providing an important catalyst to the Saint John economy. A summary of large economic projects, either proposed or underway, include:

Province	Project(1)	Commitment/ Size ($)	Term	Estimated # of Jobs	Comments
Nova Scotia	Irving Shipbuilding Contract	$25 billion	25-year contract to start in 2015	1,000-1,500 direct up to 11,500 indirect	Irving completed a $350 million modernization of the Halifax shipyard and began cutting steel in September 2015 for the first phase of the contract, supplying six Arctic Offshore Patrol Ships. The second and more significant phase of the contract, building approximately 15 surface combatant ships, is expected to begin in 2020.
	Energy Exploration off NS Coast	$2.1 billion (British Petroleum and Shell Canada)	6 years (exploration phase) 2013-2019	Not available	In October 2015, Shell and its partners received approval to drill their first exploration wells, expected to take place in Q4-2015. BP expects to drill its first exploration well in 2017. This offshore oil activity has the potential for long-term investment and employment opportunities in the region.
	Various Halifax Construction Projects	$1-2 billion	3-4 years	Not available	Construction projects underway include the new convention centre, the Big Lift project on the MacDonald bridge, new military facilities, and various real estate projects in Halifax.
New Brunswick	Energy East Pipeline	$12 billion (proposed total project cost)	6 years (development phase)	3,700 during development; 385 during 40-year operating phrase	Application submitted to National Energy Board in October 2014. An estimated $2.8 billion GDP contribution for NB during the project. TransCanada announced in April 2015 that it would delay the start of the construction with a new expected in-service date of 2020 for New Brunswick.
	Saint John Mill Upgrade	$450 million	3 years 2014-2017	600 direct	The two-phase upgrade began in 2014, corresponding with a 20% increase in the NB softwood that will be made available to the forestry industry.
Newfoundland and Labrador	Muskrat Falls Hydro Project	$7.0 billion	5 years 2012-2017	1,500 direct with peak of 3,100	Construction of the 824 megawatt hydroelectric dam is underway, as well as the transmission line between Muskrat Falls and Churchill Falls.
	Maritime Link	$1.6 billion	4 years 2013-2017	Average of 300 direct, with a peak of 600	Subsea cable designed to transport electricity from NL to NS. Construction began in 2014. First power is planned for delivery in 2017.
	Hebron Oil Project	$14 billion	10 years 2010-2024	3,000 - 3,500 direct	The reserve estimate for Hebron is over 700 million barrels of oil. The project started in 2010 and will run until 2024. Suncor has reconfirmed its commitment to Hebron (Jan 13, 2015) and expects it to come online in 2017. Development drilling will continue until 2024.

(1) Project details including commitment, size, term and job growth are taken from various sources, such as company press releases, economic studies and related websites.

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

Portfolio Summary

Apartment Portfolio

The following table summarizes Killam's apartment portfolio by market as at and for the nine months ended September 30, 2015:

	Units[1]	Number of Properties	% of Apartment NOI
Nova Scotia			
Halifax[2]	5,064	57	40.5%
Sydney	139	2	1.3%
	5,203	59	41.8%
New Brunswick			
Moncton	1,629	31	9.3%
Fredericton	1,394	20	9.0%
Saint John	1,202	14	5.2%
Miramichi	96	1	0.6%
	4,321	66	24.1%
Ontario[3]			
Ottawa	780	9	4.8%
London	264	2	3.9%
Cambridge	347	3	3.0%
Toronto	378	2	3.9%
	1,769	16	15.6%
Newfoundland and Labrador			
St. John's	915	12	8.0%
Grand Falls	148	2	0.9%
	1,063	14	8.9%
Prince Edward Island			
Charlottetown	906	17	6.5%
Summerside	86	2	0.5%
	992	19	7.0%
Alberta[3]			
Calgary	307	1	2.6%
Total	**13,655**	**175**	**100.0%**

(1) Unit count includes properties held through Killam's partnerships and joint arrangements.

(2) Killam owns a 49% interest in, and manages, Garden Park Apartments, a 246-unit building located in Halifax, NS. Killam's 49% ownership interest represents 120 of the 246 units related to this property.

(3) Killam owns and manages three buildings located in Ontario and one building in Alberta through a joint arrangement, with Killam having a 50% ownership interest in all four properties. Killam's ownership interest represents 402 of the 804 units related to these properties.

Manufactured Home Communities Portfolio

The following table summarizes Killam's MHC investment by province as at and for the nine months ended September 30, 2015:

	Sites	Number of Communities	% of MHC NOI
Nova Scotia	2,626	16	47.6%
Ontario	2,145	16	46.3%
New Brunswick	224	1	2.8%
Newfoundland and Labrador	170	2	3.3%
Total	**5,165**	**35**	**100.0%**

Commercial Portfolio

In 2015 Killam acquired two commercial properties located in Halifax, the Brewery Market and the Medical Arts building. The Brewery Market property contains 158,000 square feet of retail and office space, and a parcel of adjacent land for a 290-unit apartment development. The Medical Arts building contains 18,000 square feet of office space and the Company plans to redevelop the property in the future. In addition, Killam's apartment portfolio includes an additional 118,000 square feet of commercial space.

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

PART III

Q3-2015 Financial Overview

Consolidated Results

For the three months ended September 30,

	Total Portfolio			Same Store			Non-Same Store		
	2015	2014	% Change	**2015**	2014	% Change	**2015**	2014	% Change
Property revenue	**$43,193**	$37,777	14.3%	**$36,671**	$35,740	2.6%	**$6,522**	$2,037	220.2%
Property expenses									
Operating expenses	**(7,263)**	(6,132)	18.4%	**(6,203)**	(6,136)	1.1%	**(1,060)**	4	N/A
Utility and fuel expenses	**(3,807)**	(3,606)	5.6%	**(3,408)**	(3,491)	(2.4)%	**(399)**	(115)	247.0%
Property taxes	**(4,945)**	(4,266)	15.9%	**(3,966)**	(3,908)	1.5%	**(979)**	(358)	173.5%
Total property expenses	**(16,015)**	(14,004)	14.4%	**(13,577)**	(13,535)	0.3%	**(2,438)**	(469)	419.8%
NOI	**$27,178**	$23,773	14.3%	**$23,094**	$22,205	4.0%	**$4,084**	$1,568	160.5%
Operating margin	**62.9%**	62.9%	- bps	**63.0%**	62.1%	90 bps	**62.6%**	77.0%	(1,440) bps

For the nine months ended September 30,

	Total Portfolio			Same Store			Non-Same Store		
	2015	2014	% Change	**2015**	2014	% Change	**2015**	2014	% Change
Property revenue	**$124,181**	$109,360	13.6%	**$106,794**	$104,252	2.4%	**$17,387**	$5,108	240.4%
Property expenses									
Operating expenses	**(20,676)**	(18,301)	13.0%	**(17,962)**	(17,745)	1.2%	**(2,714)**	(556)	388.1%
Utility and fuel expenses	**(15,925)**	(15,419)	3.3%	**(14,612)**	(15,006)	(2.6)%	**(1,313)**	(413)	217.9%
Property taxes	**(14,551)**	(12,806)	13.6%	**(12,021)**	(11,855)	1.4%	**(2,530)**	(951)	166.0%
Total property expenses	**(51,152)**	(46,526)	9.9%	**(44,595)**	(44,606)	-%	**(6,557)**	(1,920)	241.5%
NOI	**$73,029**	$62,834	16.2%	**$62,199**	$59,646	4.3%	**$10,830**	$3,188	239.7%
Operating margin	**58.8%**	57.5%	130 bps	**58.2%**	57.2%	100 bps	**62.3%**	62.4%	(10) bps

Total property revenue for the three and nine months ended September 30, 2015, was $43.2 million and $124.2 million, a 14.3% and 13.6% increase in revenue over the same periods in 2014. Property revenue for the three and nine months ended September 30, 2014, excludes the 25% ownership interest in three properties that were previously held through a joint venture as the associated earnings were recorded as equity income. Removing the impact of the equity income, revenue would have increased for the three and nine month periods, by 13.0% and 12.6%, respectively. The growth was generated through revenue from acquisitions, completed developments and increased same store revenue.

Killam's total property expenses increased 14.4% and 9.9% for the three and nine months ended September 30, 2015, compared to 2014, as a result of expenses associated with newly acquired properties and completed developments. Despite the increase in property expenses, the operating margin for the quarter remained the same in Q3-2015 at 62.9%. Year-to-date the margin improved by 130 bps to 58.8%. The increase is attributable to higher margins on recently completed developments that had not yet been stabilized in the first nine months of 2014 and higher margins on newly acquired assets outside of Atlantic Canada.

Same store property NOI reflects 190 stabilized properties that Killam has owned for equivalent periods in 2015 and 2014. The same store analysis includes a combined total of 17,046 apartment units and MHC sites, or 91% of Killam's portfolio. Same store properties realized net revenue growth of 2.6% and 2.4% for the three and nine months ended September 30, 2015. Savings were realized in utility and fuel expenses, resulting in a modest 0.3% and nil increase in total operating expenses in comparison to the three and nine month periods in 2014. Combining both strong net revenue growth and minimal growth in property expenses for the three and nine months ended September 30, 2015, same store NOI grew by 4.0% and 4.3%, respectively. These variances are discussed in more detail in the Apartment and MHC sections of the MD&A.

Non-same store property NOI consists of properties acquired in 2014 and 2015, development projects completed in 2014 and 2015, other non-stabilized properties and adjustments to normalize for non-operational revenue or expense items. Details of properties acquired in 2015 are found on page 25.

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

Apartment Results

For the three months ended September 30,

	Total Portfolio			Same Store			Non-Same Store		
	2015	2014	% Change	**2015**	2014	% Change	**2015**	2014	% Change
Property revenue	**$37,459**	$33,232	12.7%	**$32,042**	$31,333	2.3%	**$5,417**	$1,899	185.3%
Property expenses									
Operating expenses	**(5,983)**	(5,142)	16.4%	**(5,201)**	(5,159)	0.8%	**(782)**	17	N/A
Utility and fuel expenses	**(3,248)**	(3,143)	3.3%	**(2,943)**	(3,036)	(3.1)%	**(305)**	(107)	185.0%
Property taxes	**(4,634)**	(4,093)	13.2%	**(3,835)**	(3,771)	1.7%	**(799)**	(322)	148.1%
Total property expenses	**(13,865)**	(12,378)	12.0%	**(11,979)**	(11,966)	0.1%	**(1,886)**	(412)	357.8%
NOI	**$23,594**	$20,854	13.1%	**$20,063**	$19,367	3.6%	**$3,531**	$1,487	137.5%
Operating margin	**63.0%**	62.8%	20 bps	**62.6%**	61.8%	80 bps	**65.2%**	78.3%	(1,310) bps

For the nine months ended September 30,

	Total Portfolio			Same Store			Non-Same Store		
	2015	2014	% Change	**2015**	2014	% Change	**2015**	2014	% Change
Property revenue	**$110,819**	$98,096	13.0%	**$95,703**	$93,611	2.2%	**$15,116**	$4,485	237.0%
Property expenses									
Operating expenses	**(17,511)**	(15,675)	11.7%	**(15,363)**	(15,229)	0.9%	**(2,148)**	(446)	381.6%
Utility and fuel expenses	**(14,551)**	(14,271)	2.0%	**(13,455)**	(13,887)	(3.1)%	**(1,096)**	(384)	185.4%
Property taxes	**(13,724)**	(12,286)	11.7%	**(11,584)**	(11,434)	1.3%	**(2,140)**	(852)	151.2%
Total property expenses	**(45,786)**	(42,232)	8.4%	**(40,402)**	(40,550)	(0.4)%	**(5,384)**	(1,682)	220.1%
NOI	**$65,033**	$55,864	16.4%	**$55,301**	$53,061	4.2%	**$9,732**	$2,803	247.2%
Operating margin	**58.7%**	56.9%	180 bps	**57.8%**	56.7%	110 bps	**64.4%**	62.5%	190 bps

Apartment Occupancy(1) Analysis by Core Market

	# of Units	**Q3-2015 Occupancy**	Q3-2014 Occupancy	Change Q3 Occ. (bps)	**YTD-2015 Occupancy**	YTD-2014 Occupancy	Change YTD Occ. (bps)
Halifax, NS	5,064	**95.1%**	94.3%	80 bps	**95.1%**	94.4%	70 bps
Moncton, NB	1,629	**95.0%**	92.6%	240 bps	**95.0%**	93.2%	180 bps
Fredericton, NB	1,394	**94.8%**	93.5%	130 bps	**94.1%**	94.5%	(40) bps
Saint John, NB	1,202	**94.1%**	94.4%	(30) bps	**93.7%**	94.6%	(90) bps
St. John's, NL	915	**96.7%**	96.4%	30 bps	**96.7%**	95.8%	90 bps
Charlottetown, PE	906	**97.4%**	97.5%	(10) bps	**97.3%**	96.4%	90 bps
Ontario	1,769	**96.3%**	96.6%	(30) bps	**97.3%**	96.9%	40 bps
Alberta	307	**87.5%**	N/A	N/A	**93.5%**	N/A	N/A
Other Atlantic	469	**97.4%**	95.3%	210 bps	**97.6%**	94.8%	280 bps
Total Apartments (weighted average)	13,655	**95.3%**	94.7%	60 bps	**95.5%**	94.8%	70 bps

(1) Includes all stabilized properties.

Killam's stabilized apartment units were 95.3% occupied during Q3-2015, a 60 bps improvement from Q3-2014, and 20 bps decrease from the occupancy levels achieved during Q1-2015 and Q2-2015 due to the peak vacancy that occurs during the summer months each year.

Q3-2015 Management's Discussion Analysis

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

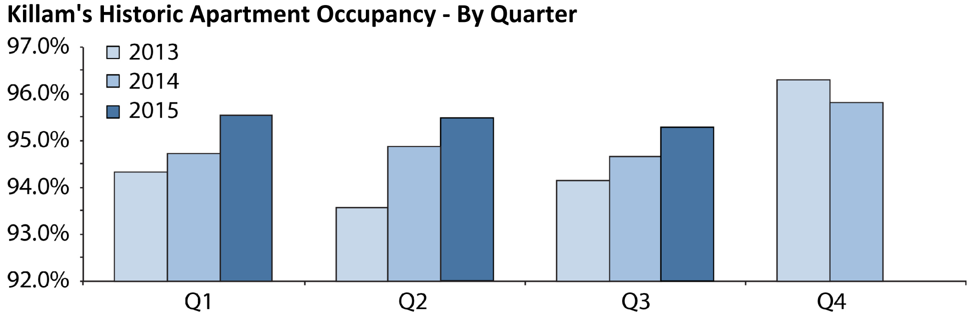
Average Rent Analysis by Core Market

As at September 30,

	# of Units	Average Rent 2015	Average Rent 2014	Average Rent % Change	Same Store Average Rent 2015	Same Store Average Rent 2014	Same Store Average Rent % Change
Halifax, NS	5,064	**$959**	$943	1.7%	**$933**	$918	1.6%
Moncton, NB	1,629	**$829**	$835	(0.7)%	**$819**	$824	(0.6)%
Fredericton, NB	1,394	**$896**	$896	-%	**$856**	$855	0.1%
Saint John, NB	1,202	**$776**	$746	4.0%	**$754**	$746	1.1%
St. John's, NL	915	**$940**	$874	7.6%	**$891**	$874	1.9%
Charlottetown, PE	906	**$896**	$883	1.5%	**$896**	$883	1.5%
Ontario	1,769	**$1,295**	$1,263	2.5%	**$1,171**	$1,147	2.1%
Alberta	307	**$1,386**	-	N/A	**$-**	-	N/A
Other Atlantic	469	**$829**	$812	2.1%	**$829**	$812	2.1%
Total Apartments (weighted average)	13,655	**$964**	$935	3.1%	**$901**	$890	1.2%

As shown in the above table, the weighted average monthly rent for Killam's apartment portfolio was $964 at September 30, 2015, up 3.1% from $935 at September 30, 2014. This increase includes the impact of higher rental rates associated with developments and acquisitions. Killam's same store apartment portfolio realized a 1.2% increase in average rents from September 30, 2014.

Killam's Historic Apartment Occupancy - By Quarter



Apartment Revenue

Total apartment revenue for the three and nine months ended September 30, 2015, was $37.5 million and $110.8 million, a 12.7% and 13.0% increase over the same periods in 2014. This growth was attributable to acquisitions and completed developments, growth in rental rates, decrease in rental incentives and increased occupancy.

Same store apartment property revenue increased 2.3% and 2.2% for the three and nine months ended September 30, 2015, due to a 1.2% increase in rental rates and a 100 bps and 80 bps improvement in occupancy for the quarter and year-to-date. Also contributing to the strong revenue growth was a 50 bps decline in rental incentives as a percentage of residential rent, to 0.7% for the first nine months of 2015, compared to 1.2% for the first nine months of 2014.

Based on current rents, an annualized 100 bps change in the apartment vacancy rate would impact the annualized rental revenue by $1.5 million.

Apartment Revenue by Region

Halifax is Killam's most important rental market, representing 40% of apartment NOI during Q3-2015 and year-to-date. The Halifax apartment portfolio achieved 95.1% occupancy during Q3-2015, an 80 bps improvement from Q3-2014. Average rents for the Halifax same store portfolio were up 1.5% from September 2014. Overall, the Halifax same store apartment portfolio achieved 2.2% revenue growth in the quarter and 1.9% revenue growth year-to-date.

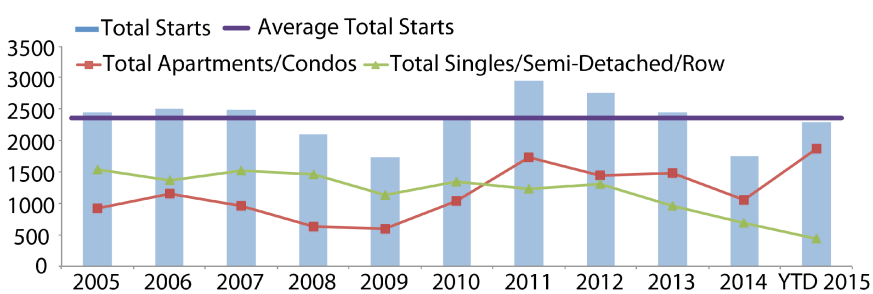
Improved occupancy levels and rental growth in Halifax are attributable to economic and population growth in the city, and the baby boomer demographic continuing to shift away from home ownership into apartment living. These drivers of demand are absorbing new rental supply in the city.

In its autumn *2015 Metropolitan Outlook 1*, the Conference Board of Canada highlighted its forecast of 2.3% Real GDP growth for Halifax in 2015, including it among five cities in Canada identified to have over 2% real GDP growth in the year and 3.0% for 2016. The $25-billion Irving Shipbuilding contract is the largest project contributing to growth in Halifax's manufacturing sector. After three years of capital upgrades to its facilities in Halifax, the Shipyard began cutting steel in September 2015. Strength from both the construction and services sectors are also contributing to positive economic growth in the city.

An aging population is resulting in a shift in new housing construction activity in the city. Halifax's demographics include large groups of empty nesters and seniors who are beginning to transition from home ownership into apartment-style living. Increased number of rental units are being built to absorb this demand. The majority of the new rental supply introduced into the market in recent years caters to this demographic, with spacious units of 1,200 square feet or more, and monthly rents of $1,300 and higher.

The following graph summarizes the total amount of starts in Halifax for all housing types from 2005 to September 2015, as reported by CMHC. During the last ten years, the annual total housing starts averaged 2,358 units per year. A decrease in single family starts is being offset by an increase in multi-family starts, resulting in relatively stable levels of total housing starts.

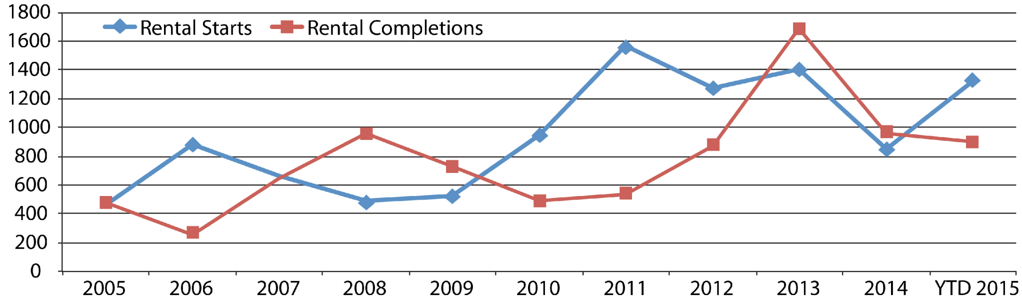
Halifax Total Housing Starts



Source: CMHC

The graph above shows multi-family starts for both rental and ownership. Breaking down multi-family starts for rental product specifically highlights the level of change for the Halifax rental market. The graph below shows the annual rental apartment starts and completions in Halifax from 2005 – September 2015:

Halifax Rental Apartment Starts and Completions



Source: CMHC

Despite the increased rental inventory, units are being absorbed by strong demand in the city, as noted above. In addition to Killam's success in the Halifax markets over the last year, CMHC's Spring Rental Market reported Halifax's vacancy to be 4.2% in April 2015, up only 10 bps from 4.1% in April 2014.

Killam's three core markets in NB represented 24% of the Company's apartment NOI in Q3-2015, and in aggregate achieved 2.1% revenue growth during Q3-2015, and 1.9% revenue growth during the first nine months of the year. Fredericton achieved 3.1% growth in the quarter, the strongest revenue growth of the NB cities, primarily attributable to a 130 bps occupancy improvement and a 140 bps reduction in rental incentives in the quarter. Moncton also achieved positive revenue growth in the quarter of 2.1% attributable to a 240 bps improvement in occupancy. Despite lower occupancy levels in Saint John in the quarter (down 30 bps), revenue growth was achieved due to a reduction in rental incentives and an increase in residential rents. Vacancy levels have risen in New Brunswick in recent years due to high levels of new construction, most prominently in the Moncton rental market. Year-to-date the province has seen a reduction in the levels of new rental product being introduced into the market; CMHC reports that between January and September 2015 only 114 new rental apartment units were completed, compared to 241 and 341 units during the same period in 2014 and 2013. Starts are also down year-to-date in 2015 compared to recent years. Overall, Killam's three NB markets are stable, with modest revenue growth expected through occupancy improvements, reduced rental incentives and modest rental rate growth.

Killam's St. John's portfolio achieved a 30 bps improvement in occupancy in Q3-2015 compared to Q3-2014, as well as a 2.2% increase in rental rates from its same store portfolio. Same store revenue for the St. John's portfolio increased by 2.7% in Q3-2015 and 3.3% during the first nine months of the year. The St. John's portfolio experienced a decrease in occupancy during the first half of 2014 due partially to the opening of a new 500-bed residence at Memorial University. St. John's has been a top performer for Killam since 2008 due to the positive spin-offs associated with offshore energy investment. Killam to-date has not seen a significant change in rental demand in response to lower oil prices but does anticipate more moderate rental growth going forward than the levels experienced over the last five years.

The Company's Charlottetown portfolio experienced growth in Q3-2015, despite a 10 bps decrease in occupancy as rental rates were up 1.5% coupled with reduced rental incentives. Overall same store revenue was up 1.9% quarter-over-quarter and 2.4% year-to-date. An increase in international immigration has contributed to stronger demand for rental units in Charlottetown. PEI is the only province in Atlantic Canada with rent control for apartments. The allowable rental increase is 1.75% in 2015, compared to 2.0% in 2014. The increase for 2016 has been set at 0%.

Killam's small portfolio of assets held outside its core markets in Atlantic Canada experienced a 220 bps occupancy improvement during Q3-2015, primarily attributable to the Company's Sydney, NS, properties that have been operating at near-full occupancy throughout all of 2015.

Killam's apartment portfolio outside Atlantic Canada represented 18% of apartment NOI in Q3-2015. Occupancy in Killam's Ontario portfolio recorded a slight decline of 30 bps to 96.3% during Q3-2015 compared to 96.6% during Q3-2014. Quarter-over-quarter, Killam's Ontario same store apartment portfolio revenue was up 1.6%. Year-to-date the same store portfolio experienced a 2.4% increase in rental revenue.

Killam expanded its apartment portfolio into Alberta in December 2014 by acquiring a 50% interest in Grid 5 Apartments, a 307-unit property in Calgary. This building was 87.5% occupied during Q3-2015, down from 98.1% during Q1-2015 and 94.9% in Q2-2015. The decrease in occupancy is attributable to the softening of the Alberta economy and notable loss of jobs in the Calgary energy sector during the second and third quarters of 2015.

Apartment Expenses

Total apartment expenses for the three and nine months ended September 30, 2015, were $13.9 million and $45.8 million, a 12.0% and 8.4% increase over the same periods of 2014. The expense increase in both periods is attributable to acquisitions and completed developments. Despite the costs associated with the addition of new properties, Killam realized a 20 bps and 180 bps improvement in its apartment operating margin for the quarter and year-to-date as a result of moderating fuel costs and the development and acquisition of newer and more efficient buildings.

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

Total same store property expense for the three and nine months ended September 30, 2015, was $12.0 million and $40.4 million, a 0.1% increase and 0.4% decrease over the same periods ended September 30, 2014. The ability to maintain and minimize total property operating costs during the quarter and year-to-date was due in part to lower oil and natural gas costs, improved operating efficiencies and only a modest increase in property tax costs.

Operating expenses increased by 0.8% quarter-over-quarter and 0.9% year-to-date. Increased snow clearing and landscaping costs year-to-date were offset by operational efficiencies and timing of repair and maintenance costs.

Utility and fuel costs are a significant operating expense for Killam, representing approximately 25% of total same store property expenses during the third quarter and 33% year-to-date. Utility and fuel expense was down 3.1% in Q3-2015 and year-to-date.

Utility and Fuel Expense - Same Store

	Three months ended September 30,			Nine months ended September 30,		
	2015	2014	% Change	**2015**	2014	% Change
Natural gas	**$380**	$438	(13.2)%	**$4,229**	$4,462	(5.2)%
Electricity	**1,294**	1,256	3.0%	**4,856**	4,856	-%
Water	**1,148**	1,156	(0.7)%	**3,391**	3,295	2.9%
Oil	**112**	175	(36.0)%	**953**	1,239	(23.1)%
Other	**9**	11	(18.2)%	**28**	35	(20.0)%
Total utility and fuel expenses	**$2,943**	$3,036	(3.1)%	**$13,457**	$13,887	(3.1)%

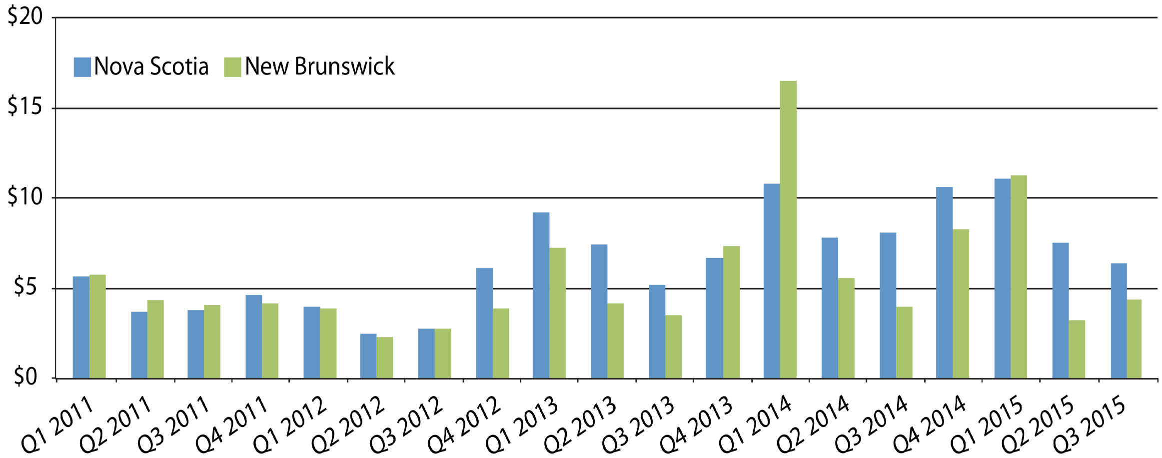
Killam’s apartment properties are heated with a combination of natural gas (56%), electricity (35%), oil (8%) and other (1%). Electricity costs at the unit level are typically paid directly by tenants, reducing Killam’s exposure to the majority of the 4,600 units heated with electricity. Killam is primarily exposed to the electricity costs associated with common areas. Fuel costs for natural gas or oil-fired heating plants are paid by Killam.

Natural gas costs, one of Killam’s largest expenses on an annual basis, are not as significant during the third quarter. Killam realized a 13.2% reduction in natural gas expense in the quarter, benefiting from lower rates in Nova Scotia and Ontario. Year-to-date natural gas expense is down 5.2%.

The cost of natural gas in Nova Scotia and New Brunswick has been volatile during the last three years due to pipeline capacity constraints and increased natural gas demand in New England driving up pricing at the Algonquin Citygate natural gas hub during periods of cold weather. This has been further exacerbated by a reduction in supply from offshore Nova Scotia. The following chart highlights Killam’s historic commodity costs for natural gas for both Nova Scotia and New Brunswick. The difference in quarterly costs between the two provinces is due to the pricing structure, and the amount of forward fixing, by the two different natural gas distributors.

Cost of Natural Gas in Nova Scotia and New Brunswick

(commodity charge per GJ)



The pipeline capacity constraint issue in New England is being addressed with infrastructure investments that are projected to be phased in over the next four years. These projects are expected to lead to more stabilized prices for Atlantic Canada by 2018/2019, when the last of the projects are expected to be completed, as discussed in the Outlook section on page 7.

Electricity was Killam's largest expense relating to utility and fuel costs during Q3-2015. Electricity costs include common area lighting and heating costs and the electricity charges for certain electrically heated buildings that include heat as part of the rental agreement. A 3.0% increase in electricity expense experienced during Q3-2015 relates primarily to increased rates in New Brunswick and Ontario. Increased efficiencies from energy saving initiatives such as lighting retrofits implemented in the past year have contributed to energy savings in the year. Killam's Halifax same store portfolio achieved a 2.7% decrease in electricity costs in Q3-2015 vs Q3-2014, and a 3.7% savings during the first nine months of the year.

Water expense for same store properties decreased by 0.7% in Q3-2015. Investments in water efficiency solutions more than offset the impact of rate increases. Killam has installed water saving fixtures in over 1,500 apartment units over the last year and is experiencing significant water consumption reductions from the investment. The estimated payback from water related initiatives is expected to be less than 3 years. Year-to-date water costs are up 2.9%.

Heating oil expense decreased by 36.0% from Q3-2014 due to lower world oil prices.

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

Apartment Same Store NOI by Region

For the three months ended September 30,

	Property Revenue			Property Expenses			Net Operating Income		
	2015	2014	% Change	**2015**	2014	% Change	**2015**	2014	% Change
Halifax	**$13,322**	$13,036	2.2%	**$(4,435)**	$(4,483)	(1.1)%	**$8,887**	$8,553	3.9%
Moncton	**3,777**	3,701	2.1%	**(1,776)**	(1,800)	(1.3)%	**2,001**	1,901	5.3%
Fredericton	**3,269**	3,171	3.1%	**(1,364)**	(1,405)	(2.9)%	**1,905**	1,766	7.9%
Ontario	**3,408**	3,353	1.6%	**(1,314)**	(1,190)	10.4%	**2,094**	2,163	(3.2)%
St. John's	**2,157**	2,101	2.7%	**(612)**	(617)	(0.8)%	**1,545**	1,484	4.1%
Saint John	**2,504**	2,484	0.8%	**(1,235)**	(1,195)	3.3%	**1,269**	1,289	(1.6)%
Charlottetown	**2,375**	2,329	2.0%	**(819)**	(860)	(4.8)%	**1,556**	1,469	5.9%
Other Atlantic locations	**1,230**	1,158	6.2%	**(424)**	(416)	1.9%	**806**	742	8.6%
	$32,042	$31,333	2.3%	**$(11,979)**	$(11,966)	0.1%	**$20,063**	$19,367	3.6%

For the nine months ended September 30,

	Property Revenue			Property Expenses			Net Operating Income		
	2015	2014	% Change	**2015**	2014	% Change	**2015**	2014	% Change
Halifax	**$39,712**	$38,936	2.0%	**$(15,682)**	$(15,526)	1.0%	**$24,030**	$23,410	2.6%
Moncton	**11,363**	11,145	2.0%	**(5,726)**	(5,723)	0.1%	**5,637**	5,422	4.0%
Fredericton	**9,746**	9,510	2.5%	**(4,471)**	(4,583)	(2.4)%	**5,275**	4,927	7.1%
Ontario	**10,235**	10,045	1.9%	**(3,951)**	(3,835)	3.0%	**6,284**	6,210	1.2%
St. John's	**6,433**	6,225	3.3%	**(1,954)**	(1,958)	(0.2)%	**4,479**	4,267	5.0%
Saint John	**7,471**	7,403	0.9%	**(4,274)**	(4,462)	(4.2)%	**3,197**	2,941	8.7%
Charlottetown	**7,082**	6,907	2.5%	**(2,865)**	(3,000)	(4.5)%	**4,217**	3,907	7.9%
Other Atlantic locations	**3,661**	3,440	6.4%	**(1,479)**	(1,463)	1.1%	**2,182**	1,977	10.4%
	$95,703	$93,611	2.2%	**$(40,402)**	$(40,550)	(0.4)%	**$55,301**	$53,061	4.2%

As noted above, Killam generated positive NOI growth in its core markets in Q3, with the exception of Ontario and Saint John. The increase in expenses in Ontario for the three and nine months ended September 30, 2015, relates to increased rates for common electricity, water and property taxes, as well as increased landscaping costs related to the Company's focus on curb appeal. The increase in property expenses in Saint John during the quarter relates to an increased property tax assessment for one property. This assessment is currently under review and the Company is encouraged that an assessment reduction will be achieved.

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

MHC Results

For the three months ended September 30,

	Total Portfolio			Same Store			Non-Same Store		
	2015	2014	% Change	**2015**	2014	% Change	**2015**	2014	% Change
Property revenue	**$4,629**	$4,407	5.0%	**$4,629**	$4,407	5.0%	**$-**	$-	-%
Property expenses									
Operating expenses	**(1,002)**	(920)	8.9%	**(1,002)**	(977)	2.6%	**-**	57	(100.0)%
Utility and fuel expenses	**(465)**	(455)	2.2%	**(465)**	(455)	2.2%	**-**	-	-%
Property taxes	**(132)**	(137)	(3.6)%	**(132)**	(137)	(3.6)%	**-**	-	-%
Total property expenses	**(1,599)**	(1,512)	5.8%	**(1,599)**	(1,569)	1.9%	**-**	57	(100.0)%
NOI	**$3,030**	$2,895	4.7%	**$3,030**	$2,838	6.8%	**$-**	$57	(100.0)%
Operating margin	**65.5%**	65.7%	(20) bps	**65.5%**	64.4%	110 bps	**-%**	-%	(100.0)%

For the nine months ended September 30,

	Total Portfolio			Same Store			Non-Same Store		
	2015	2014	% Change	**2015**	2014	% Change	**2015**	2014	% Change
Property revenue	**$11,092**	$10,835	2.4%	**$11,092**	$10,642	4.2%	**$-**	$193	(100.0)%
Property expenses									
Operating expenses	**(2,599)**	(2,460)	5.7%	**(2,599)**	(2,516)	3.3%	**-**	56	-%
Utility and fuel expenses	**(1,156)**	(1,119)	3.3%	**(1,156)**	(1,119)	3.3%	**-**	-	-%
Property taxes	**(438)**	(421)	4.0%	**(438)**	(421)	4.0%	**-**	-	-%
Total property expenses	**(4,193)**	(4,000)	4.8%	**(4,193)**	(4,056)	3.4%	**-**	56	(100.0)%
NOI	**$6,899**	$6,835	0.9%	**$6,899**	$6,586	4.8%	**$-**	$249	(100.0)%
Operating margin	**62.2%**	63.1%	(90) bps	**62.2%**	61.9%	30 bps	**-%**	129.0%	(100.0)%

Killam's MHC business accounted for 9% of NOI from property operations during the nine months ended September 30, 2015, compared to 11% for the same period in 2014. MHC same store property revenue increased 5.0% in Q3-2015 and 4.2% year-to-date. Occupancy remains strong for the Company's MHC business, with 97.5% occupancy for both the quarter and year-to-date, which is in line with the 97.7% realized for the three and nine months ended September 30, 2014. The year-to-date non-same store revenue relates to income generated from the sale of land in NS in Q1-2014.

Same store revenue growth, partially offset by increased operating expenses, generated MHC same store NOI growth of 6.8% and 4.8% for the three and nine months ended September 30, 2015. Specifically, same store MHC property revenue increased 5.0% and 4.2% for the three and nine months ended September 30, 2015, compared to the same periods in 2014. This was a result of a 4.4% increase in weighted average rent per site to $234, up from $224 in 2014. Total same store property expenses increased 1.9% and 3.4% for the three and nine months ended September 30, 2015, due to higher water and utility costs, additional snow plowing and hauling costs, along with increased repair and maintenance costs.

Killam's seasonal MHCs contribute to the MHC's NOI during the second and third quarters of the year. Increased focus on seasonal campsite rentals and other complement revenue streams has achieved increased revenues and therefore NOI growth in the seasonal parks of 12.3% for Q3-2015 and 15.3% year-to-date 2015.

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

PART IV

Other Income

Equity Income

	Three months ended September 30,			Nine months ended September 30,		
	2015	2014	% Change	**2015**	2014	% Change
	$-	$166	(100.0)%	**$-**	$500	(100.0)%

Equity income for the three and nine months ended September 30, 2014, represented Killam's 25% interest in the net income of a joint venture that owned three apartment buildings, all located in Ontario. The joint venture was dissolved on December 9, 2014, and Killam purchased the remaining ownership of the assets. Killam subsequently sold 50% of its ownership in two of the properties.

Home Sales

	Three months ended September 30,			Nine months ended September 30,		
	2015	2014	% Change	**2015**	2014	% Change
	$19	$40	(52.5)%	**$29**	$76	(61.8)%

Killam completed two home sales during the third quarter of 2015, compared to four home sales in Q3-2014. Year-to-date, Killam has completed five home sales and two home placements compared to twelve home sales in the first nine months of 2014. Since the sale of portions of the MHC portfolio in May 2012 and November 2013, the opportunity for home sales has decreased and is no longer a strategic priority for the Company. The Company projects an additional 2-3 home sales for 2015, which will include a mix of newly developed sites and sales on vacant lots throughout the MHC portfolio.

Corporate Income

	Three months ended September 30,			Nine months ended September 30,		
	2015	2014	% Change	**2015**	2014	% Change
	$359	$363	(1.1)%	**$1,076**	$746	44.2%

Corporate income includes property management fees, interest on bank account balances, and interest on loans receivable. The marginal decline for the three month period ended September 30, 2015, relates to lower interest revenue earned on bank account balances in the quarter. The increase for the comparative nine month period relates to additional property management fees earned on managing five properties in 2015 compared to four properties in 2014. The Company also earned interest revenue on a $4.0 million mezzanine loan that was issued late May 2014, bearing annualized interest at prime plus 7.0% or a minimum of 10.0%, as well as a $0.95 million vendor take-back ("VTB") loan issued in June 2015 bearing an annualized interest rate of 6.5%.

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

Fair Value Gain (Loss)

	Three months ended September 30,			Nine months ended September 30,		
	2015	2014	% Change	**2015**	2014	% Change
Apartments	**$1,795**	$10,231	(82.5)%	**$ 2,032**	$18,225	(88.9)%
MHCs	**(427)**	2,310	(118.5)%	**(484)**	2,516	(119.2)%
	$1,368	$12,541	(89.1)%	**$ 1,548**	$20,741	(92.5)%

Killam recorded a $1.8 million fair value gain in Q3-2015 on its apartment portfolio due to compression of cap-rates in the Cambridge and Mississauga markets. Along with a $0.2 million fair value gain realized in the first six months of 2015, the year-to-date fair value gain was $2.0 million. The effective weighted average cap-rate used to value the apartment properties decreased 12 bps to 5.70% from the same period in 2014.

In Q3-2015, Killam realized a $0.4 million fair value loss on its MHC portfolio due to an increase in the capital reserves on this portfolio. As well, the effective weighted average cap-rate used to value the MHC properties increased 1 bps to 6.64% from September 30, 2014.

See further discussion on cap-rates in the “Investment Properties” section of the MD&A.

Other Expenses

Financing Costs

	Three months ended September 30,			Nine months ended September 30,		
	2015	2014	% Change	**2015**	2014	% Change
Mortgage, loan and construction loan interest	**$7,991**	$7,391	8.1%	**$ 23,905**	$21,957	8.9%
Amortization of fair value adjustments on assumed debt	**(153)**	(125)	22.4%	**(429)**	(376)	14.1%
Amortization of loss on interest rate hedge	**15**	-	N/A	**45**	-	N/A
Convertible debenture interest	**1,706**	1,691	0.9%	**5,122**	5,059	1.2%
Capitalized interest	**(163)**	(339)	(51.9)%	**(925)**	(732)	26.4%
	$9,396	$8,618	9.0%	**$ 27,718**	$25,908	7.0%

Financing costs increased $0.8 million and $1.8 million, or 9.0% and 7.0%, for the three and nine month periods due primarily to new debt placements on acquired properties. Killam's acquisitions in the last twelve months totaled $136.2 million and debt associated with these acquisitions totaled $100.7 million. This increase in financing costs is offset by refinancings at lower interest rates.

Mortgage and loan interest expense related to Killam's same store properties was $6.1 million in Q3-2015, down from $6.5 million in Q3-2014. Year-to-date mortgage and loan interest expense on same store properties was $18.5 million compared to $19.8 million in 2014. As a percentage of property revenue, same store mortgage and loan interest expense was lower quarter-over-quarter and year-to-date, at 16.5% and 17.4%, compared to 18.2% and 19.0% in 2014. These decreases are a result of refinancings at lower interest rates. The average interest rate on refinancings for same store properties year-to-date was 2.15%.

Capitalized interest decreased 51.9% for the three months ended Q3-2015 compared to Q3-2014 and 26.4% year-to-date. Capitalized interest will vary depending on how many projects are ongoing and how far along they are in the development. Interest costs associated with development projects are capitalized to the respective development property until substantial completion.

Killam manages interest rate risk by entering into fixed-rate mortgages and staggering the maturity dates, and may at times enter into forward interest rate hedges. An annualized 100 bps change in the interest rate on Killam’s mortgage and vendor debt at September 30, 2015, would affect financing costs by approximately $9.3 million per year. However, only $93.0 million of Killam’s fixed mortgage and vendor debt matures in the next twelve months. Assuming these mortgages are refinanced at similar terms, except at a 100 bps increase in interest rates, financing costs would increase by $0.9 million per year. The Company’s credit facilities are discussed on page 31 of the MD&A.

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

Depreciation Expense

	Three months ended September 30,			Nine months ended September 30,		
	2015	2014	% Change	**2015**	2014	% Change
	$196	$169	16.0%	**$566**	$467	21.2%

Depreciation expense relates to the Company's head office building, vehicles, heavy equipment and administrative office furniture, fixtures and computer software equipment. Although the vehicles and equipment are used at various properties, they are not considered part of investment properties and are depreciated for accounting purposes. The increase for the three and nine month periods was a result of depreciation related to vehicles, computer software and leasehold improvements.

Amortization of Deferred Financing Costs

	Three months ended September 30,			Nine months ended September 30,		
	2015	2014	% Change	**2015**	2014	% Change
	$480	$430	11.6%	**$1,409**	$1,261	11.7%

Deferred financing amortization increased 11.6% and 11.7% for the three and nine months ended September 30, 2015. These increases are a result of fees related to refinancings, new debt placed on acquired properties and completed developments over the last twelve months. Deferred financing costs include mortgage assumption fees, application fees and legal costs related to financings, and these costs are amortized over the term of the respective mortgage. CMHC insurance fees are amortized over the amortization period of the mortgage. The costs associated with the convertible debentures are amortized over the terms of the debentures.

Administration Expenses

	Three months ended September 30,			Nine months ended September 30,		
	2015	2014	% Change	**2015**	2014	% Change
	$2,474	$1,980	24.9%	**$7,356**	$6,028	22.0%
As a percentage of total revenues(1)	**5.7%**	5.2%		**5.7%**	5.5%	

(1) Normalized for REIT related costs.

Administration expenses include expenses which are not specific to an individual property. These expenses include TSX related costs, management and head office salaries and benefits, marketing costs, office equipment leases, professional fees and other head office and regional office expenses. The calculation of administration expenses as a percentage of total revenues has been normalized for the tax planning costs of $0.2 million $0.1 million related to Killam's proposed REIT conversion, incurred for the nine months ended September 30, 2015, and 2014, as these are non-recurring expenses. Administrative expenses as a percentage of revenues increased for the three and nine month periods ended September 30, 2015, relating primarily to additional accrued variable compensation reflecting strong financial performance year-to-date.

Management targets annualized administrative costs at approximately 6.0% of total revenues.

Deferred Tax Expense

The Company has booked future income tax expense for the three and nine months ended September 30, 2015, and 2014. Killam is not currently cash taxable due to its ability to claim CCA deductions to reduce taxable income.

The Company announced on October 6, 2015, it had approved the proposed reorganization of Killam into a real estate investment trust. The reorganization will be accomplished by way of a plan of arrangement and, among other approvals, will be subject to shareholder approval at a special meeting to be held on or about December 8, 2015.

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

PART V

Funds from Operations

FFO is recognized as an industry-wide standard measure for real estate entities' operating performance, and Management considers FFO per share to be a key measure of operating performance. The calculation of FFO includes adjustments specific to the real estate industry applied against net income to calculate a supplementary measure of performance that can be compared with other real estate companies and real estate investment trusts. REALpac, Canada's senior national industry association for owners and managers of investment real estate, has recommended guidelines for a standard industry calculation of FFO based on IFRS. FFO does not have a standardized meaning under IFRS and therefore may not be comparable to similarly titled measures presented by other public companies. Killam calculates FFO in accordance with the REALpac definition with the exception of the add back of REIT tax planning costs as REALpac does not address this specific type of adjustment. FFO for the three and nine months ended September 30, 2015, and 2014, is determined as follows:

	Three months ended September 30,			Nine months ended September 30,		
	2015	2014	% Change	**2015**	2014	% Change
Net income	**$11,621**	$21,466	(45.9)%	**$27,731**	$41,221	(32.7)%
Fair value gain	**(1,368)**	(13,382)	(89.8)%	**(1,548)**	(21,582)	(93)%
Non-controlling interest (before fair value gain)	**(284)**	(277)	2.5%	**(793)**	(794)	(0.1)%
Deferred tax expense	**4,831**	5,061	(4.5)%	**10,793**	10,947	(1.4)%
Depreciation on owner-occupied building	**53**	44	20.5%	**146**	124	17.7%
(Gain) loss on disposition	**(74)**	-	N/A	**109**	(94)	(216.0)%
Tax planning costs	**-**	-	-	**177**	89	98.9%
FFO	**$14,779**	$12,912	14.5%	**$36,615**	$29,911	22.4%
FFO/share - diluted	**$0.24**	$0.23	4.3%	**$0.59**	$0.54	9.3%
Weighted average number of shares - diluted (1)	**70,104**	62,614	12.0%	**62,161**	55,030	13.0%

(1) The calculation of weighted average shares outstanding for diluted FFO purposes includes the convertible debentures for the three month periods ended September 30, 2015, and 2014 as they are dilutive and excludes the convertible debentures for the nine month periods ended September 30, 2015, and 2014 as they are anti-dilutive. For FFO purposes, the price used to calculate the conversion feature of the convertible debentures is the conversion price of $13.40 for the 5.65% convertible debentures and $14.60 for the 5.45% convertible debentures. The adjustment to FFO for the effect of the debenture conversion was $1.7 million for the three month period ended September 30, 2015, and 2014.

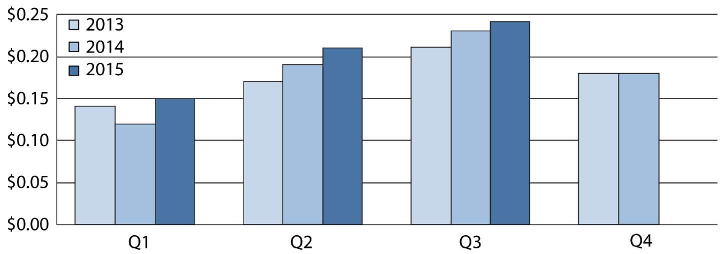
Killam earned FFO of $14.8 million, or $0.24 per share during Q3-2015 compared to $12.9 million or $0.23 per share during Q3-2014. The increase in FFO per share is attributable to contributions from acquisitions and completed and stabilized developments ($1.6 million), same store NOI growth of 4.0% ($0.5 million), same store interest expense savings ($0.4 million) offset by higher administration expenses and a reduction in capitalized interest expense ($0.7 million) and an increase in the number of weighted average shares outstanding.

Year-to-date Killam earned FFO of $36.6 million, or $0.59 per share, compared to $29.9 million, or $0.54 per share in the same period in 2014. The increase is attributable to year-to-date same store NOI growth of 4.3%, earnings from acquisitions and developments and interest expense savings, partially offset by increased administration costs and an increase in the weighted average number of shares outstanding.

On October 6, 2015, Killam announced its proposed reorganization into a real estate investment trust. The reorganization is subject to shareholder approval at a special meeting to be held on or about December 8, 2015. FFO has been adjusted for the tax planning costs incurred in 2015 and 2014 associated with the planned reorganization. These costs are non-recurring and unique to Killam's current corporate structure and therefore have been removed for FFO purposes.

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

FFO per Share ($)



Adjusted Funds from Operations

AFFO is a supplemental measure used by real estate analysts and some investors to represent FFO after taking into consideration the capital spend related to maintaining the earning capacity of a portfolio versus NOI enhancing capital investments. AFFO is a non-IFRS measure and 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 will lead to higher rents or more efficient operations.

In order to provide investors with information to assist in assessing the Company's payout ratio, Management has calculated AFFO using the industry standard of $450 per apartment unit. The MHC industry does not have a standard amount for "maintenance" related capital expenditures. Management has assumed $100 per MHC site as a reasonable estimate of non-NOI enhancing capital expenditures per MHC site. The weighted average number of rental units owned during the year was used to determine the capital adjustment applied to FFO to calculate AFFO.

		Three months ended September 30,			**Nine months ended September 30,**	
	2015	2014	% Change	**2015**	2014	% Change
FFO	**$14,779**	$12,912	14.5%	**$36,615**	$29,911	22.4%
Maintenance Capital Expenditures						
Apartments	**(1,476)**	(1,402)	5.3%	**(4,362)**	(4,162)	4.8%
MHCs	**(129)**	(129)	-%	**(387)**	(387)	-%
AFFO	**$13,174**	$11,381	15.8%	**$31,866**	$25,362	25.6%
AFFO/ share - diluted(1)	**$0.21**	$0.21	-%	**$0.51**	$0.46	10.9%
AFFO payout ratio - diluted	**71%**	73%	(2.7)%	**88%**	99%	(11.1)%
AFFO payout ratio - rolling 12 months(2)	**90%**	97%	(7.2)%	**90%**	97%	(7.2)%
Weighted average number of shares - diluted	**62,662**	55,172	13.6%	**62,161**	55,030	13.0%

(1) The calculation of weighted average shares outstanding for diluted AFFO purpose excludes the convertible debentures for both the three and nine month periods ended September 30, 2015 and 2014 as they are anti-dilutive. For AFFO purposes, the price used to calculate the conversion feature of the convertible debentures is the conversion price of $13.40 for the 5.65% convertible debentures and $14.60 for the 5.45% convertible debentures.
(2) Based on Killam's annualized dividend of $0.60 for the 12-month period ending September 30, 2015, and $0.595 for the 12-month period ending September 30, 2014.

Management is pleased to report an improved payout ratio in 2015, as noted above. Killam's board evaluates the Company's payout ratio on a quarterly basis. The board has not set a specific AFFO payout target, but believes that a ratio below 90% is important. Future earnings growth from same store operations and accretive acquisitions is expected to further lower the payout ratio.

Corresponding with the seasonality of Killam's business, the first quarter typically has the lowest AFFO per share of the year due to heating costs in the winter months. The third quarter typically has the highest AFFO per share due to higher occupancy levels and lower operating costs through the warmer summer months.

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

PART VI

Investment Properties

As at,

	September 30, 2015	December 31, 2014	% Change
Investment properties	**$1,791,219**	$1,693,055	5.8%
Investment properties under construction ("IPUC")	**30,871**	40,840	(24.4)%
	$1,822,090	$1,733,895	5.1%

Continuity of Investment Properties

The following table summarizes the changes in value of Killam's investment properties for the three and nine months ended September 30, 2015, and 2014.

	Three months ended September 30,		**Nine months ended September 30,**	
	2015	2014	**2015**	2014
Balance, beginning of period	**$1,771,136**	$1,509,851	**$1,693,055**	$1,451,743
Acquisition of properties	**8,972**	24,515	**39,715**	63,435
Disposition of properties	**-**	-	**-**	(40)
Transfer to IPUC	**-**	-	**(2,300)**	-
Transfer from IPUC	**-**	-	**36,147**	-
Capital expenditures	**9,743**	9,363	**23,054**	20,391
Fair value adjustments - Apartments	**1,795**	12,541	**2,032**	20,741
Fair value adjustments - MHCs	**(427)**	-	**(484)**	-
Balance, end of period	**$1,791,219**	$1,556,270	**$1,791,219**	$1,556,270

The key valuation assumption used to determine the fair market value, using the direct capitalization method, is the cap-rate. A summary of the high, low and weighted average cap-rates used in the valuation models as at September 30, 2015, and December 31, 2014, as provided by Killam's external valuator, is as follows:

Capitalization Rates

	September 30, 2015			December 31, 2014		
	Low	**High**	**Effective Weighted Average**	Low	High	Effective Weighted Average
Apartments	**4.50%**	**8.00%**	**5.58%**	4.50%	8.00%	5.63%
MHCs	**5.75%**	**8.00%**	**6.64%**	5.75%	8.00%	6.69%

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

2015 Acquisitions - Investment Properties

Property	Location	Acquisition Date	Year Built	Units/ Square Feet ("SF")	Purchase Price[1]
Apartments					
20 Technology Drive	Saint John	17-Jun-15	2014	59 units	$8,300
1471/1483/1489/1491 Carlton Street[2]	Halifax	5-Aug-15	1863-1951	4 units	$2,100
Commercial property					
Brewery Market	Halifax	31-Mar-15	1820-1984	158,000 SF	$22,300
Medical Arts Building[2]	Halifax	5-Aug-15	Pre-1960	18,000 SF	$6,350
Other					
Vacant land[3]	Halifax	31-Mar-15			$5,200
Total Acquisitions					**$44,250**

(1) Purchase price on acquisition does not include transaction-related costs.
(2) Acquired as a portfolio for future development opportunities.
(3) Purchase price represents 50% ownership interest in land for the construction of a 240 unit multi-residential property which will be known as The Alexander. The land also includes capacity for an additional 40 units.

On August 5, 2015, Killam closed the acquisition of Medical Arts Building, 1489/1491 Carlton Street, 1483 Carlton Street and 1471 Carlton Street in Halifax, Nova Scotia. The existing properties are a combination of commercial and residential assets and are located directly across from Killam's Spring Garden Terrace property. The largest of the properties is known as the Medical Arts Building, an 18,000 square foot office building. Killam plans to redevelop the properties in the future.

Investment Properties Under Construction

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	**2015**	2014
Balance, beginning of period	**$28,289**	$36,048	**$40,840**	$24,373
Capital expenditures	**2,419**	9,157	**13,396**	20,439
Interest capitalized	**163**	339	**925**	732
Land acquisitions	**-**	-	**10,700**	-
Land disposition	**-**	-	**(1,143)**	-
Transfer to investment properties	**-**	-	**(36,147)**	-
Transfer from investment properties	**-**	-	**2,300**	-
Fair value gain	**-**	841	**-**	841
Balance, end of period	**$30,871**	$46,385	**$30,871**	$46,385

Year-to-date, Killam has completed two developments including its first development in Ontario, Saginaw Gardens in Cambridge. The building is currently 93% leased and is expected to be fully leased by the end of the year. The total cost of the development was $25.3 million ($210,000 per unit) resulting in an all cash yield of 6.0%. This is an estimated 100 bps premium over the yield anticipated on acquisitions of similar quality assets in that location.

Construction of the 142-unit Southport development, located in downtown Halifax is underway and is expected to be completed in the third quarter of 2016. Killam owns a 50% interest in the project, representing 70 rental units. Killam's cost for the development is $14.7 million ($210,000 per unit). Killam funded its remaining equity contribution during Q2-2015 and all remaining development costs will be funded through construction financing.

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

During Q1-2015, Killam acquired a 50% interest in vacant land for future development located in downtown Halifax. The site is approved, through a development agreement, for phase I construction of a 240-unit multi-residential property. Killam and its 50% partner began construction during the third quarter of 2015 and is expected to be completed in Q3-2017. The total cost per suite is approximately $275,000 resulting in an all cash yield of approximately 5.5%.

Killam will continue to assess opportunities to acquire land for future development. In addition to the projects currently under construction, Killam has the following land available for future development:

Property	**Location**	**Development Potential** (# of Units)	**Status**
Developments Underway			
Southport - Barrington Street)	Halifax, NS	70	Under construction: Q3-2016 completion
The Alexander - Phase I(1)	Halifax, NS	240	Under construction; Q3-2017 completion
Development Opportunities - 2016			
Silver Spear(1)	Mississauga, ON	110	In design and approval process
Saginaw - Phase II	Cambridge, ON	93	In design and approval process
Future Development Opportunities - 2017 and beyond			
Spring Garden Terrace Land	Halifax, NS	98	Approved development agreement
The Alexander - Phase II(1)	Halifax, NS	40	As of right
Carlton Houses	Halifax, NS	70	Future development
Medical Arts (Spring Garden)	Halifax, NS	200	Future development
1335 Hollis Street	Halifax, NS	30	Future development
Block 4	St. John's, NL	80	As of right
Topsail Road	St. John's, NL	225	Approved development agreement
Archibald Street	Moncton, NB	40	Approved development agreement
Total Development Opportunities		**1,296**	

(1) 50% ownership

Capital Improvements

Killam invests capital to maintain and improve the operating performance of its properties. During the three and nine months ended September 30, 2015, Killam invested a total of $9.7 million and $23.1 million in its portfolio, compared to $9.4 million and $20.4 million for the same periods in 2014.

	Three months ended September 30,			**Nine months ended September 30,**		
	2015	2014	% Change	**2015**	2014	% Change
Apartments	**$8,459**	$8,564	(1.2)%	**$20,403**	$18,836	8.3%
MHCs	**707**	792	(10.7)%	**1,705**	1,539	10.8%
Other	**577**	7	8,142.9%	**946**	16	5,812.5%
	$9,743	$9,363	4.1%	**$23,054**	$20,391	13.1%

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

Apartments - Capital Spend

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

	Three months ended September 30,			Nine months ended September 30,		
	2015	2014	% Change	**2015**	2014	% Change
Building improvements	**$5,205**	$5,131	1.4%	**$11,407**	$10,729	6.3%
Suite renovations	**2,462**	2,799	(12.0)%	**6,994**	6,599	6.0%
Appliances	**266**	380	(30.0)%	**701**	896	(21.8)%
Boilers and heating equipment	**419**	83	404.8%	**978**	199	391.5%
Other	**48**	75	(36.0)%	**137**	189	(27.5)%
Equipment	**43**	31	38.7%	**161**	144	11.8%
Parking lots	**13**	29	(55.2)%	**16**	42	(61.9)%
Land improvements	**3**	36	(91.7)%	**9**	38	(76)%
Total capital spend	**$8,459**	$8,564	(1.2)%	**$20,403**	$18,836	8.3%
Average number of units outstanding	**13,096**	12,891	1.6%	**12,779**	12,831	(0.4)%
Capital spend per unit	**$646**	$660	(2.1)%	**$1,597**	$1,468	8.8%

Annual capital investment includes a mix of maintenance capital and value enhancing upgrades. Maintenance capital varies with market conditions and relates to investments that are not expected to lead to an increase in NOI, or increased efficiency, of a building; however, it is expected to extend the life of a building. Examples of maintenance capital include roof and window repairs/replacements and are in addition to regular repairs and maintenance costs that are expensed to NOI. Value enhancing upgrades are investments in the properties that are expected to result in higher rents and/or increased efficiencies. These include unit and common area upgrades and energy and water saving investments.

Killam invested $646 and $1,597 per unit for the three and nine months ended September 30, 2015, compared to $660 and $1,468 per unit for the three and nine months ended September 30, 2014.

Of the $8.5 million capital investment made in the apartment segment in Q3-2015, approximately 70% was invested in building improvements. There are currently several large projects underway in various regions, with major façade upgrades, roof replacements, common area renovations and energy efficiency investments to increase the quality of the Company's portfolio. Efficiency investments include the installation of low-flow water fixtures, smart automated building system controls in boiler rooms at 10 properties and the installation of upgraded boilers at Killam's Brentwood Apartments. In addition, the Company, in partnership with Efficiency Nova Scotia, has installed over 20,000 LED light in buildings located in Halifax. The average payback period of the efficiency investments is between 2 – 3 years.

Approximately 30% of the apartment capital investment for the quarter was in-suite renovations. Savings in Killam's suite renovation program have been realized through standardizing synergies and bulk purchasing, while still focusing on improving the quality of the suite to maximize occupancy and rental increases.

The Company continues to reposition properties that show significant value creation opportunities by upgrading suites and generating increased NOI through higher rents. The Company has identified its 199-unit property located at 1355 Silver Spear Road, Mississauga, ON, as a property with significant potential for repositioning and rental growth. To-date Killam has completed 15 unit renovations averaging $14,000 per turn including new flooring, kitchen and bathroom upgrades. These upgrades have achieved rental increases of approximately 14% and an average return on investment of 13%. The Company expects to complete additional 3-5 unit upgrades during 2015.

The timing of capital spending is variable and is influenced by tenant turnover, market conditions and individual property requirements. In addition, the length of time that Killam has owned a property and the age of the property also impacts capital requirements. Value enhancing capital improvements increase the operating effectiveness and profitability of Killam's apartment portfolio and the Company expects to invest approximately $28-$30 million during 2015 on capital investments across its apartment portfolio.

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

MHCs - Capital Spend

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

	Three months ended September 30,			Nine months ended September 30,		
	2015	2014	% Change	**2015**	2014	% Change
Water & sewer upgrades	**$353**	$517	(31.7)%	**$820**	$790	3.8%
Site expansion and land improvements	**115**	81	42.0%	**179**	235	(23.8)%
Other	**186**	177	5.1%	**353**	447	(21.0)%
Roads and paving	**30**	15	100.0%	**281**	62	353.2%
Equipment	**23**	2	1,050.0%	**72**	5	1,340%
Total capital spend - MHCs	**$707**	$792	(10.7)%	**$1,705**	$1,539	10.8%
Average number of units outstanding	**5,165**	5,164	-%	**5,165**	5,164	-%
Capital spend per unit	**$137**	$153	(10.5)%	**$330**	$298	10.7%

Management expects to invest between $300 and $500 in capital per MHC site on an annual basis. As with the apartment portfolio, a portion of the MHC capital is considered maintenance capital and a portion is value enhancing. Management estimates that $100 per unit is maintenance capital, including costs to support the existing infrastructure, and the remaining amount increases the value of the properties, with improved roadways, ability to accommodate future expansion, and community enhancements, such as the addition of playgrounds. The cost of most capital projects will be recovered through above guideline increases in the provinces with rent control, leading to increased NOI from the investment.

For the three and nine months ended September 30, 2015, Killam invested $0.7 million and $1.7 million in capital expenditures compared to $0.8 million and $1.5 million in 2014. The increase year-to-date is related to the completion of a paving project at an MHC property in Ontario.

As with the apartment portfolio, the timing of MHC capital investment changes based on requirements at each community. Killam expects to invest $2.0 - $3.0 million during 2015 on capital improvements across the MHC portfolio.

Liquidity and Capital Resources

The Company’s sources of capital are cash generated from operating activities, mortgage financings and refinancings, credit facilities, and equity and debt issuances. The Company’s primary use of capital includes property acquisitions and developments, major property improvements, property maintenance, debt principal and interest payments, and payment of dividends. The Company anticipates meeting all current and future obligations with a combination of current cash and cash equivalents, cash flow generated from operations and conventional mortgage refinancings, including net cash accessible through upfinancings, and that the Company will be able to obtain financing on reasonable terms.

Killam’s ability to grow through acquisitions and development will be dependent on the ability to access mortgage debt, construction financing and to raise equity in the capital markets. Killam had cash on hand of $15.7 million at September 30, 2015.

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

Mortgages and Other Loans

Below are Killam's key debt metrics:

As at,

	September 30, 2015	December 31, 2014	% Change
Weighted average years to maturity of mortgage and vendor debt (years)	**4.3**	4.4	(0.1) years
Gross mortgage, loan and vendor debt as a percentage of total assets	**50.1%**	47.6%	250 bps
Total debt as a percentage of total assets	**55.4%**	54.9%	50 bps
Interest coverage ratio (rolling twelve months)	**2.33x**	2.21x	12 bps
Debt service coverage ratio (rolling twelve months)	**1.37x**	1.34x	3 bps
Weighted average interest rate of mortgage and vendor debt	**3.32%**	3.60%	(28) bps
Weighted average interest rate of total debt	**3.65%**	3.93%	(28) bps

The Company's long-term debt consists largely of fixed-rate, long-term mortgage financing. In certain cases the Company will also utilize VTB mortgages as part of an acquisition. Mortgages are secured by a first or second charge against individual properties and the vendor financing is secured by a general corporate guarantee.

At September 30, 2015, the Company had access to two floating rate non-revolving demand construction loans totaling $28.1 million for the purpose of financing development projects and $20.0 million drawn on the loans as at September 30, 2015. Payments are made monthly on an interest only basis. The construction loans have interest rates ranging from prime to prime plus 0.75%. Once construction has been completed and rental targets achieved, the construction loans will be repaid in full and converted into conventional mortgages. The construction loan related to Saginaw Gardens will be paid out during the fourth quarter of 2015.

The Company utilized a VTB mortgage as part of its acquisition of the Brewery Market on March 31, 2015. The VTB mortgage has an interest rate of 3.0% and is repayable in March 2016, which coincides with the maturity of the mortgage debt assumed as part of the acquisition.

Killam's September 30, 2015, weighted average interest rate on mortgages improved to 3.32% from 3.60% at December 31, 2014, as a result of refinancings at lower interest rates during the period. This trend is expected to continue throughout the remainder of 2015 and for 2016 with $12.6 million and $124.0 million of current mortgage balances maturing. Management expects to refinance these mortgages at lower interest rates than their current weighted average rates of 4.65% and 4.22%, respectively. These refinancings represent 14.7% of Killam's total mortgage portfolio.

Total debt as a percentage of total assets has increased 50 bps to 55.4% from December 31, 2014. Management expects its percentage of debt to total assets to not exceed 65%. This ratio is sensitive to changes in the fair value of investment properties, in particular cap-rate changes. A 10 bps increase in the weighted average cap-rate at September 30, 2015, would have increased the ratio of debt as a percentage of total assets by 90 bps.

Excluding the outstanding convertible debentures, Killam's debt as a percentage of assets is 50.1%. The two convertible debentures mature in 2017 ($57.5 million) and 2018 ($46.0 million). Killam has the option to redeem the convertible debentures at fair value in November 2015 and June 2016. Management may redeem the convertible debentures with equity in the future and thereby reduce Killam's debt levels.

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

2015 Refinancings

During the nine months ended September 30, 2015, Killam refinanced the following mortgages:

	Mortgage Debt Maturities		Mortgage Debt on Refinancing		Weighted Average Term	Net Proceeds
Apartments	$74,727	4.26%	$109,437	2.16%	6.0 years	$34,710
MHCs	2,378	5.16%	4,994	3.42%	5.0 years	2,616
	$77,105	4.29%	$114,431	2.21%	5.9 years	$37,326

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

	Apartments			MHCs		Total	
Year of Maturity	Balance September 30, 2015	Weighted Avg Int. Rate %	% CMHC Insured	Balance September 30, 2015	Weighted Avg Int. Rate %	Balance September 30, 2015	Weighted Avg Int. Rate %
2015	11,015	4.56	53.4	1,601	5.23	12,616 (1)	4.65
2016	120,999	4.20	47.8	3,030	5.08	124,029	4.22
2017	59,480	3.43	43.1	16,740	4.65	76,220	3.69
2018	91,628	3.64	41.0	12,435	4.34	104,063	3.73
2019	172,495	2.82	97.1	19,754	3.86	192,249	2.93
2020	167,870	2.55	62.2	4,939	3.42	172,809	2.58
2021	22,543	3.79	88.7	-	-	22,543	3.79
2022	23,248	3.16	100.0	-	-	23,248	3.16
2023	82,145	3.30	100.0	-	-	82,145	3.30
Thereafter	118,765	3.33	100.0	-	-	118,765	3.33
	$ 870,188	3.26	73.9	$ 58,499	4.25	$928,687	3.32

(1) Excludes $6.9 million related to demand loans classified as current mortgage debt on the Q3-2015 condensed consolidated interim financial statements.

As at September 30, 2015, approximately 73.9% of the Company's apartment mortgages were CMHC insured (69% of all mortgages as MHC properties are not eligible for CMHC insurance) (December 31, 2014 – 75% and 70%). The weighted average interest rate on the CMHC insured mortgages was 3.04% as at September 30, 2015 (December 31, 2014– 3.31%).

Access to mortgage debt is essential in financing future acquisitions and in refinancing maturing debt. Management has intentionally diversified Killam's mortgages to avoid dependence on any one lending institution and has staggered the maturity dates of its mortgages to manage interest rate risk. Management anticipates continued access to mortgage debt for both new acquisitions and refinancings. Access to CMHC insured financing gives apartment owners an advantage over other asset classes as lenders are provided a government guarantee on the debt and therefore are able to lend at more favourable rates.

The following table presents the NOI of properties that are available to Killam to refinance at debt maturity for the remainder of 2015 and for 2016. With $136.6 million in current mortgages maturing between now and the end of 2016, Management is evaluating opportunities to fix interest rates before maturity to lock in savings on refinancings.

2015 & 2016 Debt Refinancings

Remainder of 2015	**Number of Properties**	**NOI**	**Principal Balance (at maturity)**
Apartments with debt maturing	7	$1,883	$10,917
MHCs with debt maturing	2	238	1,584
Remainder of 2015 debt maturities	9	$2,121	$12,501
2016			
Apartments with debt maturing [1]	33	$15,628	$117,198
MHCs with debt maturing	4	732	2,909
2016 debt maturities	37	$16,360	$120,107

[1] Includes debt associated with the Brewery Market which is included in the "Other" category within investment properties in note 3 of the condensed consolidated interim financial statements.

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

Future Contractual Debt Obligations

At September 30, 2015, the timing of the Company's future contractual debt obligations are as follows:

For the twelve months ended September 30,	Mortgage and loans payable	Construction loans	Convertible debentures	**Total**
2016	$120,235	$19,977	$-	**$140,212**
2017	139,562	-	-	**139,562**
2018	116,310	-	57,500	**173,810**
2019	154,282	-	46,000	**200,282**
2020	190,757	-	-	**190,757**
Thereafter	214,438	-	-	**214,438**
	$935,584	$19,977	$103,500	**$1,059,061**

Debentures

The Company’s $57.5 million convertible unsecured subordinated debentures mature November 30, 2017, bear interest at 5.65% and are convertible, at the holders’ option, to common shares at a price of $13.40. The debentures are redeemable at the option of the Company after November 30, 2013, and on or before November 30, 2015, provided that the current market price of the common shares of the Company on the date on which the notice of redemption is given is not less than 125% of the conversion price. After November 30, 2015, the debentures are redeemable at face value. Upon maturity or redemption, the Company may elect to repay all or any portion of the debentures outstanding by issuing the number of common shares obtained by dividing the aggregate of the principal amount of the debentures that have matured or are being redeemed by 95% of the weighted average market price of the common shares for the preceding 20 days (ending 5 days preceding the fixed date for redemption or maturing).

The Company’s $46.0 million convertible unsecured subordinated debentures mature June 30, 2018, bear interest at 5.45% and are convertible, at the holders’ option, to common shares at a price of $14.60. The debentures are redeemable at the option of the Company after June 30, 2014, and on or before June 30, 2016, provided that the current market price of the common shares of the Company on the date on which the notice of redemption is given is not less than 125% of the conversion price. After June 30, 2016, the debentures are redeemable at face value. Upon maturity or redemption, the Company may elect to repay all or any portion of the debentures outstanding by issuing the number of common shares obtained by dividing the aggregate of the principal amount of the debentures that have matured or are being redeemed by 95% of the weighted average market price of the common shares for the preceding 20 days (ending 5 days preceding the fixed date for redemption or maturing).

Construction Loans

At September 30, 2015, the Company had access to two floating rate non-revolving demand construction loans totaling $28.1 million for the purpose of financing the development projects. Payments are made monthly on an interest only basis. The construction loans have interest rates ranging from prime to prime plus 1%. Once construction has been completed and rental targets achieved, the construction loans will be repaid in full and converted into conventional mortgages. As at September 30, 2015, $20.0 million (December 31, 2014 - $31.9 million) was drawn at a weighted average interest rate of 3.60% (December 31, 2014 - 3.84%).

Credit Facilities

The Company has two credit facilities with major financial institutions, which are set out as follows:

i) A $2.0 million revolving demand facility that can be used for the Company’s acquisition program and general business purposes. The interest rate on the debt is prime plus 125 bps on prime rate advances or 225 bps over Banker’s Acceptances (BAs). Killam has the right to choose between prime rate advances and BAs based on available rates and timing requirements. At September 30, 2015, the Company had assets with a fair value of $1.9 million pledged to the line and had a balance outstanding of $Nil (December 31, 2014 - $Nil). The agreement includes certain covenants and undertakings of which the Company is in compliance.

ii) A $1.5 million revolving demand facility that can be used for the Company’s acquisition program and for general business purposes. The interest rate on the debt is prime plus 175 bps on advances and 135 bps on issuance of letters of credit in addition to 50 bps per annum. As at September 30, 2015, the Company had assets with a carrying value of $1.8 million pledged as collateral and letters of credit totaling $1.5 million outstanding against the facility (December 31, 2014 - $1.5 million). The agreement includes certain covenants and undertakings of which the Company is in compliance.

Shareholders' Equity

On August 5, 2015, the Company issued 249,311 common shares to satisfy $2.5 million of the $8.4 million purchase price for the acquisition of 5880 Spring Garden Road, 1489/1491 Carlton Street, 1483 Carlton Street and 1471 Carlton Street.

On March 31, 2015, the Company issued 1,092,548 common shares to Halkirk Properties Limited to satisfy $12.0 million of the $27.5 million purchase price for the acquisition of the Brewery Market and a 50% interest in vacant land.

For the nine months ended September 30, 2015, 367,907 stock options were exercised for common shares, and cash proceeds to the Company of $3.0 million. All outstanding options were exercised in Q2-2015 and as at September 30, 2015, there are no options outstanding. There were also 9,084 and 29,504 restricted share units ("RSUs") redeemed, and 6,316 and 18,882 shares issued related to the redemption during the three and nine months ended September 30, 2015 (September 30, 2014 - 4,644 and 9,534 redeemed and 3,668 and 7,802 shares issued).

During Q3-2015, the Company repurchased through its normal course issuer bid 21,000 common shares at an average price of $9.98.

Killam pays a dividend of $0.05 per share per month ($0.60 per share annualized). The Company's Dividend Reinvestment Plan ("DRIP") allows shareholders to elect to have all cash dividends from the Company reinvested in additional shares. Shareholders who participate in the DRIP receive an additional dividend of shares equal to 3% of each cash dividend that was reinvested. The price per share is calculated by reference to the ten day volume weighted average price of the Company's shares on the Toronto Stock Exchange preceding the relevant dividend date, which typically is on or about the 15th day of the month following the dividend declaration. For the three and nine months ended September 30, 2015, the Company issued 198,846 and 469,441 shares under the DRIP with a value of $2.0 million and $4.9 million (three and nine months ended September 30, 2014 – 48,775 and 185,889 shares with a value of $0.5 million and $1.9 million). For the three and nine months ended September 30, 2015, the average DRIP participation rate was 22% and 19% (three and nine months ended September 30, 2014 - 6% and 7%).

PART VII

Risk Management

Killam faces a variety of risks, the majority of which are common to real estate entities. These are described in detail in the Management's Discussion and Analysis found in Killam's 2014 Annual Report and in Killam's Annual Information Form, both filed on SEDAR. These factors still exist at the end of this interim period and remain relatively unchanged.

Critical Accounting Policies and Significant Accounting Judgments, Estimates and Assumptions

The condensed consolidated interim financial statements should be read in conjunction with the most recently issued Annual Report of Killam, which includes information necessary or useful to understanding the Company's business and financial statement presentation. In particular, the Company's significant accounting policies were presented in Note 2 to the consolidated financial statements for the year ended December 31, 2014, and, after the changes described in Note 2(c), have been consistently applied in the preparation of these condensed consolidated interim financial statements.

The preparation of financial statements in conformity with IFRS requires Management to make estimates and assumptions. The significant areas of judgments, estimates and assumptions are set out in Note 3 of the consolidated financial statements found in Killam's 2014 Annual Report. The most significant estimates relate to the fair value of investment properties and deferred taxes.

Disclosure Controls and Procedures and Internal Controls

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, does not expect that the Company'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 the Company have been detected. During the most recent interim period, there have been no changes in the Company's accounting judgments, estimates and assumptions.

Subsequent Events

On October 15, 2015, the Company announced a dividend of $0.05 per share, payable on November 16, 2015, to shareholders of record on October 31, 2015.

On October 6, 2015, Killam's Board of Directors unanimously approved the proposed reorganization of Killam into a real estate investment trust. The reorganization will be accomplished by way of plan of arrangement, and among other approvals, will be subject to shareholder approval at a special meeting to be held on or about December 8, 2015.