Q1-2021 Management's Discussion and Analysis

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

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PART I

Business Overview

Killam Apartment REIT ("Killam", the "Trust", or the "REIT"), based in Halifax, Nova Scotia (NS), is one of Canada's largest residential landlords, owning, operating, managing and developing a $3.9 billion portfolio of apartments, manufactured home communities (MHCs) and commercial properties across seven provinces. Killam was founded in 2000 to create value through the consolidation of apartments in Atlantic Canada and MHCs across Canada. Killam entered the Ontario (ON) apartment market in 2010, the Alberta (AB) apartment market in 2014, and the British Columbia (BC) apartment market in 2020. Killam broke ground on its first development in 2010 and has completed thirteen projects to date, with a further five projects currently under construction.

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

1) Increase earnings from the existing portfolio;

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

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

The apartment business is Killam’s largest segment and accounted for 90.9% of Killam’s net operating income (NOI) for the three months ended March 31, 2021. As at March 31, 2021, Killam’s apartment portfolio consisted of 17,377 units, including 968 units jointly owned with institutional partners. Killam's 210 apartment properties are located in Atlantic Canada's six largest urban centres (Halifax, Moncton, Saint John, Fredericton, Charlottetown and St. John's), Ontario (Ottawa, London, Toronto and Kitchener-Waterloo-Cambridge), Alberta (Edmonton and Calgary), and British Columbia (Greater Victoria). Killam is Atlantic Canada’s largest residential landlord, owning a 13% total share of multi-family rental units in its core markets. Killam plans to continue increasing its presence outside Atlantic Canada through acquisitions and developments; however, it will continue to invest strategically in Atlantic Canada to maintain its market presence.

In addition, Killam owns 5,875 sites in 39 MHCs, also known as land-lease communities or trailer parks, in Ontario and Atlantic Canada. Killam owns the land and infrastructure supporting these communities and leases sites to tenants who own their own homes and pay Killam site rent. The MHC portfolio accounted for 4.2% of Killam’s NOI for the three months ended March 31, 2021. Killam also owns 749,661 square feet (SF) of commercial space that accounted for 4.9% of Killam's NOI for the three months ended March 31, 2021.

Basis of Presentation

The following Management's Discussion and Analysis ("MD&A") has been prepared by Management and focuses on key statistics from the condensed consolidated interim financial statements and pertains to known risks and uncertainties. This MD&A should be read in conjunction with the Trust's audited consolidated financial statements for the years ended December 31, 2020 and 2019, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These documents, along with Killam’s 2020 Annual Information Form (AIF), are available on SEDAR at www.sedar.com.

The discussions in this MD&A are based on information available as at May 5, 2021. This MD&A has been reviewed and approved by Management and the REIT's Board of Trustees.

Declaration of Trust

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

Investment Guidelines

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

Operating Policies

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

As at March 31, 2021, Killam was in compliance with all investment guidelines and operating policies.

Forward-looking Statements

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

In some cases, forward-looking statements can be identified by the use of words such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "potential", "continue" or the negative of these terms or other comparable terminology, and by discussions of strategies that involve risks and uncertainties. Such forward-looking statements contained in this MD&A may include, among other things, statements regarding: Killam’s expectations with regard to the planned growth of the property portfolio, the expansion of the land portfolio for future developments, future acquisitions, including the amount expected to be spent on such acquisitions, the location of such acquisitions, improvements in profitability of Killam’s property portfolio, Killam’s property developments, including cost and timing of completion thereof, and Management’s expectations regarding capital improvement costs, uncertainties and risks arising as a result of the spread of the COVID-19 pandemic, including uncertainty surrounding disruptions to financial markets, regional economies and the world economy; the financial condition of Killam's tenants and the ability of Killam’s tenants to pay rent; the return to pre-pandemic employment levels; interest rate fluctuations; market values; impact on financial results including impacts relating to rental rate growth expectations and rent collection; pace and scope on future acquisitions, construction, development and renovation, renewals and leasing; the ability to expand into other geographical regions of Canada in an economically viable way; the estimated population growth in key markets; the rate of transition from rental to homeownership; the GDP growth across the country post-pandemic; the continued capital investment from governments and the private sector in key markets and the availability of capital to fund further investments in Killam's business.

Readers should be aware that these forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those anticipated or implied, or those suggested by any forward-looking statements, including: the effects, duration and government responses to the COVID-19 pandemic and the effectiveness of measures intended to mitigate the impact of COVID-19, national and regional economic conditions and the availability of capital to fund further investments in Killam's business. Further information regarding these risks, uncertainties and other factors may be found under the heading "Risk Factors" in this MD&A and Killam's most recent AIF. Given these uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements contained, or incorporated by reference, in this MD&A.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events contained therein may not occur. Although Management believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that future results, levels of activity, performance or achievements will occur as anticipated.

Neither Killam nor any other person assumes responsibility for the accuracy and completeness of any forward-looking statement, and Killam assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events, circumstances, or such other factors that affect this information, except as required by applicable law. The forward-looking statements in this document are provided for the limited purpose of enabling current and potential investors to evaluate an investment in Killam. Readers are cautioned that such statements may not be appropriate and should not be used for any other purpose.

Non-IFRS Financial Measures

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

- Funds from operations (FFO), and applicable per unit amounts, are calculated by Killam as net income adjusted for depreciation on an owner-occupied building, fair value gains (losses), interest expense related to exchangeable units, gains (losses) on disposition, deferred tax expense (recovery), unrealized gains (losses) on derivative liability, internal commercial leasing costs, interest expense related to lease liabilities, insurance proceeds, and non-controlling interest. FFO is calculated in accordance with the REALPAC definition, except for the adjustment of insurance proceeds as REALPAC does not address this adjustment. A reconciliation between net income and FFO is included on page 22.
- Adjusted funds from operations (AFFO), and applicable per unit amounts and payout ratios, are calculated by Killam as FFO less an allowance for maintenance capital expenditures ("capex") (a three-year rolling historical average capital spend to maintain and sustain Killam's properties), commercial leasing costs and straight-line commercial rents. AFFO is calculated in accordance with the REALPAC definition. Management considers AFFO an earnings metric. A reconciliation from FFO to AFFO is included on page 23.
- Adjusted cash flow from operations (ACFO) is calculated by Killam as cash flow provided by operating activities with adjustments for changes in working capital that are not indicative of sustainable cash available for distribution, maintenance capital expenditures,

commercial leasing costs, amortization of deferred financing costs and non-controlling interest. Management considers ACFO a measure of sustainable cash flow. A reconciliation from cash provided by operating activities to ACFO is included on page 24. ACFO is calculated in accordance with the REALPAC definition.

- Earnings before interest, tax, depreciation and amortization (EBITDA) is calculated by Killam as income before fair value adjustments, gains (losses) on disposition, income taxes, interest, depreciation and amortization.
- Interest coverage is calculated by dividing EBITDA by interest expense, less interest expense related to exchangeable units.
- Debt service coverage is calculated by dividing EBITDA by interest expense, less interest expense related to exchangeable units, and principal mortgage repayments.
- Debt to normalized EBITDA is calculated by dividing interest-bearing debt (net of cash) by EBITDA that has been adjusted for a full year of stabilized earnings from recently completed acquisitions and developments.
- Same property results in relation to Killam are revenues and property operating expenses for stabilized properties that Killam has owned for equivalent periods in 2021 and 2020. Same property results represent 90.3% of the fair value of Killam's investment property portfolio as at March 31, 2021. Excluded from same property results in 2021 are acquisitions, dispositions and developments completed in 2020 and 2021, non-stabilized commercial properties linked to development projects, and other adjustments to normalize for revenue or expense items that relate to prior periods or are not operational.

PART II

Key Performance Indicators

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

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

Financial and Operational Highlights

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

	Three months ended March 31,		
Operating Performance	**2021**	2020	Change [2]
Property revenue	**$67,374**	$63,294	6.4%
Net operating income	**$40,263**	$38,048	5.8%
Net income	**$27,422**	$38,502	(28.8)%
FFO [1]	**$25,107**	$23,013	9.1%
FFO per unit – diluted [1]	**$0.23**	$0.22	4.5%
AFFO [1]	**$20,486**	$18,566	10.3%
AFFO per unit – diluted [1]	**$0.19**	$0.18	5.6%
Weighted average number of units outstanding – diluted (000s)	**107,669**	102,358	5.2%
Distributions paid per unit [3]	**$0.17**	$0.17	—%
AFFO payout ratio – diluted [1]	**89%**	92%	(300) bps
AFFO payout ratio – rolling 12 months [1]	**81%**	81%	– bps
Portfolio Performance			
Same property NOI [1]	**$38,071**	$36,918	3.1%
Same property NOI margin	**60.0%**	59.4%	60 bps
Same property apartment occupancy	**96.6%**	97.6%	(100) bps
Same property apartment weighted average rental increase [4]	**3.3%**	3.4%	(10) bps

As at	**March 31, 2021**	December 31, 2020	Change [2]
Leverage Ratios and Metrics			
Debt to total assets	**45.5%**	44.6%	90 bps
Weighted average mortgage interest rate	**2.66%**	2.69%	(3) bps
Weighted average years to debt maturity	**4.5**	4.5	—
Debt to normalized EBITDA [1]	**11.06x**	10.78x	2.6%
Debt service coverage [1]	**1.55x**	1.57x	(1.3)%
Interest coverage [1]	**3.35x**	3.36x	(0.3)%

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

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

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

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

Summary of Q1-2021 Results and Operations

FFO per Unit Growth of 4.5% and AFFO per Unit Growth of 5.6%

Killam generated FFO per unit of $0.23 in Q1-2021, 4.5% higher than $0.22 per unit generated in Q1-2020. AFFO per unit increased 5.6% in Q1-2021, to $0.19 compared to $0.18 in Q1-2020. FFO and AFFO growth was attributable to increased NOI from strong same property performance and incremental contributions from recent acquisitions and completed developments. This growth was partially offset by a 5.2% increase in the weighted average number of units outstanding.

Same Property NOI Growth of 3.1%

Killam achieved 3.1% growth in same property consolidated NOI and a 60 bps improvement in its operating margin during the quarter. This improvement was driven by rental rate growth and modest operating expense growth. Operating expenses increased only 0.5%, as increases in property tax and general operating expenses were mostly offset by a reduction in utility costs, namely lower unit electricity costs and a decrease in natural gas pricing. Killam's same property apartment NOI increased 3.1% during the first quarter, with New Brunswick and Charlottetown leading the growth (7.1% and 4.7%).

Rental Rate Growth on Unit Turns

Same property rental rates were up 3.3% as at March 31, 2021, versus March 31, 2020. Despite the current economic environment, demand remains strong for units on turnover with Killam achieving 4.4% rental rate growth on unit turns during Q1-2021. Impacts of the COVID-19 pandemic were seen with reduced increases on renewal rates in the quarter due to provincial restrictions and a 100 bps uptick in vacancy. Overall, apartment revenue growth during the quarter was up 2.0%. New Brunswick, Ontario and Halifax led apartment performance, achieving same property apartment revenue increases of 3.4%, 2.5% and 2.4%, respectively.

Repositioning Program Continues to Generate Above-average Returns

During Q1-2021, Killam invested $3.4 million in unit repositionings, completing 149 unit upgrades. The average unlevered return on investment (ROI) on unit repositionings completed during the quarter was approximately 12.0%, based on an average renovation cost of $25,500 per unit. The return and cost per unit may vary slightly quarter-to-quarter depending upon the mix of units repositioned across the portfolio. Repositioned units completed during the quarter are expected to generate approximately $0.4 million in additional NOI on an annualized basis and approximately $4.8 million in net asset value (NAV) growth.

Completed $65.3 million in Acquisitions with 76% Outside of Atlantic Canada

During Q1-2021, Killam acquired the remaining 90% interest in the Nolan Hill development located in Calgary, AB for $49.5 million, adding another 233 units to its apartment portfolio. The building opened to tenants in January, 2021 and is currently 75% leased. Killam also acquired $10.2 million in land for future development, all of which is adjacent properties Killam currently owns. $6.8 million of the development land acquired includes NOI generating properties, which are expected to remain operational until development begins.

Lower Interest Rates Contribute to Earnings Growth

Although refinancing activity was relatively light during Q1-2021, Killam benefited from refinancings completed during 2020, where $219.1 million of maturing debt was upfinanced at a weighted average interest rate 85 bps lower than the weighted average interest rate of the maturing debt. Of the $10.6 million of mortgages that were refinanced in Q1-2021, Killam realized a 55 bps reduction in its weighted average interest rate.

Substantial Development Activity

Killam continues to advance its development pipeline, with five active developments underway during Q1-2021, totalling 685 units (497 units representing Killam's percentage ownership) for an expected total investment of $323.8 million (Killam's investment $236.0 million). During Q1-2021, Killam invested $18.0 million in its active development projects and completed its 10 Harley development, a 38-unit building located in Charlottetown, PE. This development reached substantial completion in March 2021 and is currently 63% leased.

Environmental, Social and Governance (ESG) Update

During Q1-2021, Killam released its 2020 ESG report and completed its third-party verified greenhouse gas review. Killam achieved a 1% reduction in like-for-like energy consumption in 2020, compared to 2019. Killam now has two photovoltaic (PV) solar arrays producing power and 10 PV solar arrays nearing completion, as previously announced. Killam continues to invest in greener energy with two more PV solar arrays expected to start in Q3-2021. In total, these projects will generate 1,500 MWh of energy annually.

COVID-19 Impact on Operations

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

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

Strategic Targets

Growth in Same Property NOI	
2021 Target	Same property NOI growth over 2%, subject to COVID-19 related restrictions being lifted by Q3-2021.
2021 Performance to-date	Killam achieved same property NOI growth of 3.1% for the three months ended March 31, 2021. Growth is attributable to increased rental rates and modest expense growth.

Expanded Portfolio	
2021 Target	Complete a minimum of $100 million in acquisitions.
2021 Performance to-date	During Q1-2021, Killam completed $65 million in acquisitions.

Geographic Diversification	
2021 Target	Earn at least 32% of 2021 NOI outside Atlantic Canada.
2021 Performance to-date	Killam is on track to meet this target, with 31% of NOI generated outside Atlantic Canada in Q1-2021. The lease-up of Nolan Hill will further augment NOI generated outside of Atlantic Canada.

Development of High-quality Properties	
2021 Target	To complete the construction of two buildings totalling 166 units and break ground on two additional developments totalling a minimum of 150 units.
2021 Performance to-date	The 10 Harley development reached substantial completion in March 2021 and the Governor broke ground at the beginning of 2021.

Strengthened Balance Sheet	
2021 Target	Maintain debt as a percentage of assets ratio below 47%.
2021 Performance to-date	Debt as a percentage of total assets was 45.5% as at March 31, 2021.

Sustainability	
2021 Target	Minimum investment of $5.0 million in energy initiatives in 2021 to reduce Killam's carbon footprint and increase sustainability.
2021 Performance to-date	The installation of PV solar panels has been completed at two buildings and is underway at an additional 10 buildings within the portfolio.

Outlook

Demand for Apartments Remains Strong
Management is seeing stable to increasing market rents upon turnover across the majority of its portfolio, which is expected to lead to continued top-line growth. Although this growth is tempered by a government-imposed rental rate freeze in Ontario and a cap of 2% on renewals in Halifax until the end of the pandemic, the trend of increasing occupancy in the second quarter is expected to mitigate this impact. Despite ongoing pandemic restrictions, Killam is seeing strong demand for rental units and is encouraged by many universities aiming to have in-person classes this fall, which would further support demand for Killam's student-focused properties. Canada's increased immigration target of 1.2 million new permanent residents from 2021 to 2023 is also expected to support strong demand for apartments. Management will closely monitor demand drivers across the portfolio and adjust leasing efforts accordingly.

Continued Expansion of Suite Repositioning Program
Management is committed to its repositioning program. Following the success of 2020's program of 495 suite renovations, management has expanded the program further in 2021, targeting 550 repositions. In addition, Killam is improving efficiencies and targeting improved performance metrics in the year ahead, including the percentage of repositionings completed in 28 days. Suite repositionings represent unit upgrades above $10,000. Killam targets an ROI of at least 10% and monthly rental rate increases of 10%–30% upon completion of the renovation. A review of Killam's portfolio has identified a minimum of 5,000 units having repositioning potential. Killam has been able to mitigate construction cost increases through the use of bulk purchasing of renovation products as well as the use of in-house labour.

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

Interest Expense Savings on Refinancings
Killam’s mortgage financings and renewals progressed on schedule in Q1-2021, in terms of both timing and upfinancing opportunities. Looking forward, with $122.0 million in mortgages maturing throughout the remainder of 2021, Management expects to up-finance approximately $45.0 million of cash and, based on current interest rates, reduce its overall weighted average interest rate.

Well-positioned for Future Acquisitions
Following the closing of the remaining 90% interest in Nolan Hill and acquisitions of land for future development in early 2021, Killam finished the quarter with an acquisition capacity over $240.0 million. Management remains focused on growing its portfolio in Ontario and Western Canada and is actively looking for acquisition opportunities in these markets.

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

PART III

Portfolio Summary

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

Apartment Portfolio				
	Units (1)	Number of Properties	NOI ($) (2)	NOI (2) (% of Total)
Nova Scotia				
Halifax	5,813	65	$13,801	34.3%
Sydney	139	2	$281	0.7%
	5,952	67	$14,082	35.0%
New Brunswick				
Moncton	2,097	37	$3,644	9.1%
Fredericton	1,529	23	$2,915	7.2%
Saint John	1,202	14	$1,527	3.8%
Miramichi	96	1	$164	0.4%
	4,924	75	$8,250	20.5%
Ontario				
Ottawa	1,216	9	$2,626	6.5%
London	523	5	$1,329	3.3%
Cambridge-GTA	818	6	$2,822	7.0%
	2,557	20	$6,777	16.8%
Newfoundland & Labrador				
St. John's	915	12	$1,515	3.8%
Grand Falls	148	2	$159	0.4%
	1,063	14	$1,674	4.2%
Prince Edward Island				
Charlottetown	1,135	22	$1,723	4.3%
Summerside	86	2	$136	0.3%
	1,221	24	$1,859	4.6%
Alberta				
Calgary	764	4	$1,250	3.1%
Edmonton	579	4	$1,476	3.7%
	1,343	8	$2,726	6.8%
British Columbia				
Victoria	317	2	$1,222	3.0%
Total Apartments	**17,377**	**210**	**$36,590**	**90.9%**
Manufactured Home Community Portfolio				
	Sites	Number of Communities	NOI ($) (2)	NOI (2) (% of Total)
Nova Scotia	2,749	17	$1,145	2.8%
Ontario	2,284	17	$540	1.3%
New Brunswick (4)	672	3	($49)	(0.1)%
Newfoundland & Labrador	170	2	$88	0.2%
Total MHCs	**5,875**	**39**	**$1,724**	**4.2%**
Commercial Portfolio (3)				
	Square Footage (5)	Number of Properties	NOI ($) (2)	NOI (2) (% of Total)
Prince Edward Island	191,511	1	$317	0.8%
Ontario	306,106	1	$1,171	2.9%
Nova Scotia	218,829	5	$354	0.9%
New Brunswick	33,215	1	$107	0.3%
Total Commercial	**749,661**	**8**	**$1,949**	**4.9%**
Total Portfolio		**257**	**$40,263**	**100.0%**

(1) Unit count includes the total unit count of properties held through Killam's joint arrangements. Killam has a 50% ownership interest in two apartment properties in Ontario, representing a proportionate ownership of 484 units of the 968 units in these properties. Killam manages the operations of all the co-owned apartment properties.
(2) For the three months ended March 31, 2021.
(3) Killam also has 175,800 square feet of ancillary commercial space in various residential properties across the portfolio, which is included in apartment results.
(4) Killam's New Brunswick MHC communities have seasonal operations, which typically commence in mid-May.
(5) Represents Killam's ownership, which includes a 50% interest in commercial properties located in Nova Scotia and Prince Edward Island, managed by the co-owners.

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

PART IV

Q1-2021 Financial Overview

Consolidated Results

For the three months ended March 31,

	Total Portfolio			Same Property		
	2021	2020	% Change	**2021**	2020	% Change
Property revenue	**$67,374**	$63,294	6.4%	**$63,421**	$62,135	2.1%
Property operating expenses						
General operating expenses	**11,238**	9,941	13.0%	**10,380**	10,050	3.3%
Utility and fuel expenses	**7,259**	7,477	(2.9)%	**6,950**	7,398	(6.1)%
Property taxes	**8,614**	7,828	10.0%	**8,020**	7,769	3.2%
Total operating expenses	**$27,111**	$25,246	7.4%	**$25,350**	$25,217	0.5%
NOI	**$40,263**	$38,048	5.8%	**$38,071**	$36,918	3.1%
Operating margin %	**59.8%**	60.1%	(30) bps	**60.0%**	59.4%	60 bps

For the three months ended March 31, 2021, Killam achieved strong overall portfolio performance. Revenue grew 6.4%, partially offset by total operating expense increase of 7.4%, due to the increased size of Killam's overall portfolio. In aggregate, NOI increased 5.8% for the three months ended March 31, 2021.

Same property results included properties owned during comparable 2021 and 2020 periods. Same property results represent 90.3% of the fair value of Killam's investment property portfolio as at March 31, 2021. Non-same property results include acquisitions, dispositions and developments completed in 2020 and 2021 and commercial assets acquired for future residential development.

Same property revenue grew by 2.1% for three months ended March 31, 2021, as compared to the same period of 2020. Same property revenue growth this quarter was impacted by lower rental rate increases on renewals, largely attributable to a government-imposed rental rate freeze in Ontario and a 100 bps decline in occupancy. Despite these short-term pandemic-related impacts, the strength of rental rate growth on unit turns and continued strength in Killam's core markets generated overall same property revenue growth.

Total same property operating expenses increased a modest 0.5% for the three months ended March 31, 2021. The increase was largely driven by a 3.3% increase in general operating expenses and a 3.2% increase in property taxes as a result of higher assessments, which Killam actively appeals wherever possible. These increases were offset by a 6.1% decrease in utility and fuel expenses as a result of reduced consumption from energy efficiency projects, decreases in natural gas pricing across Killam's two largest regions, warmer than average temperatures, and a decrease in the inclusion of unit electricity as part of the monthly rent. Overall, same property NOI grew by 3.1% for the three months ended March 31, 2021.

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

Apartment Results

For the three months ended March 31,

	Total			Same Property		
	2021	2020	% Change	**2021**	2020	% Change
Property revenue	**$59,932**	$56,090	6.8%	**$56,122**	$55,028	2.0%
Property operating expenses						
General operating expenses	**9,281**	8,162	13.7%	**8,589**	8,322	3.2%
Utility and fuel expenses	**6,519**	6,752	(3.5)%	**6,241**	6,689	(6.7)%
Property taxes	**7,542**	6,775	11.3%	**6,988**	6,751	3.5%
Total operating expenses	**$23,342**	$21,689	7.6%	**$21,818**	$21,762	0.3%
NOI	**$36,590**	$34,401	6.4%	**$34,304**	$33,266	3.1%
Operating margin %	**61.1%**	61.3%	(20) bps	**61.1%**	60.5%	60 bps

Apartment Revenue

Total apartment revenue for the three months ended March 31, 2021, was $59.9 million, an increase of 6.8%, over the same period of 2020. Revenue growth was augmented by contributions from recently acquired and developed properties and higher rental rates.

Same property apartment revenue increased 2.0% for the three months ended March 31, 2021, driven by increased rental rates, with New Brunswick achieving the strongest performance with rental rate growth over 4.0% in all three regions compared to the same period of 2020. Rental rate increases were slightly offset by a 100 bps decrease in occupancy. Since the onset of COVID-19, Killam has experienced a slight decline in occupancy in some markets; however, Killam is seeing a trend in increased occupancy to date in 2021. Killam's tenant base includes a diverse mix of tenants, including young professionals, seniors, empty nesters, families, and students.

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

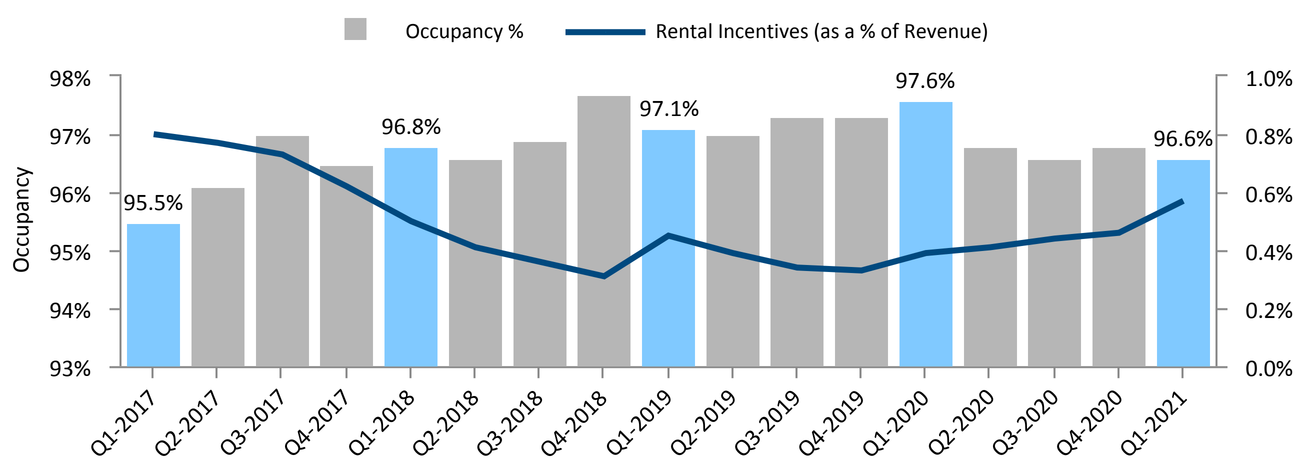
Apartment Occupancy Analysis by Core Market (% of Residential Rent) [1]

		Total Occupancy			Same Property Occupancy		
For the three months ended March 31,	# of Units	**2021**	2020	Change (bps)	**2021**	2020	Change (bps)
Nova Scotia							
Halifax	5,813	**97.3%**	98.6%	(130)	**97.2%**	98.6%	(140)
Ontario							
Ottawa	1,216	**93.5%**	92.4%	110	**93.5%**	92.4%	110
London	523	**95.2%**	98.0%	(280)	**95.2%**	98.0%	(280)
Cambridge-GTA	818	**97.8%**	97.8%	—	**97.9%**	98.0%	(10)
New Brunswick							
Moncton [2]	2,097	**95.5%**	98.9%	(340)	**98.1%**	98.9%	(80)
Fredericton	1,529	**98.2%**	98.0%	20	**98.2%**	98.0%	20
Saint John	1,202	**97.5%**	97.1%	40	**97.5%**	97.1%	40
Newfoundland and Labrador							
St. John's	915	**88.1%**	89.1%	(100)	**88.1%**	89.1%	(100)
Prince Edward Island							
Charlottetown [3]	1,135	**91.9%**	99.4%	(750)	**99.6%**	99.4%	20
Alberta							
Calgary [4]	764	**75.8%**	96.7%	(2,090)	**91.4%**	96.7%	(530)
Edmonton	579	**93.6%**	91.5%	210	**93.6%**	91.5%	210
British Columbia							
Victoria	317	**97.7%**	98.0%	(30)	**N/A**	N/A	N/A
Other Atlantic	469	**93.5%**	93.7%	(20)	**93.5%**	93.7%	(20)
Total Apartments (weighted average)	**17,377**	**94.9%**	97.0%	(210)	**96.6%**	97.6%	(100)

(1) Occupancy as a percentage of residential rent is calculated as vacancy (in dollars) divided by gross potential residential rent (in dollars) for the period.
(2) Total occupancy for Moncton was impacted by the acquisition of a 162-unit apartment building in November 2020, which is undergoing initial lease-up.
(3) Total occupancy for Charlottetown was impacted by two recently completed developments, Shorefront, a 78-unit building, and 10 Harley, a 38-unit building, both which were undergoing initial lease-up during Q1-2021.
(4) Total occupancy for Calgary was impacted by Nolan Hill, a recently acquired 233-unit property, which was undergoing initial lease-up during Q1-2021.

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

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



In Q1-2021, Killam had higher than normal rental incentives as a percentage of total revenue, due primarily to its Alberta and Newfoundland markets, which saw a 67% and 24% increase in rental incentives during the first quarter. Rental incentives were relatively flat across all other regions.

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

Average Rent Analysis by Core Market

As at March 31,

		Average Rent			Same Property Average Rent		
	# of Units	**2021**	2020	% Change	**2021**	2020	% Change
Nova Scotia							
Halifax	5,813	**$1,193**	$1,148	3.9%	**$1,193**	$1,148	3.9%
Ontario							
Ottawa	1,216	**$1,802**	$1,761	2.3%	**$1,802**	$1,761	2.3%
London	523	**$1,373**	$1,321	3.9%	**$1,373**	$1,321	3.9%
Cambridge-GTA	818	**$1,562**	$1,502	4.0%	**$1,562**	$1,502	4.0%
New Brunswick							
Moncton (1)	2,097	**$1,052**	$932	12.9%	**$970**	$932	4.1%
Fredericton	1,529	**$1,071**	$1,027	4.3%	**$1,071**	$1,027	4.3%
Saint John	1,202	**$884**	$849	4.1%	**$884**	$849	4.1%
Newfoundland and Labrador							
St. John's	915	**$1,008**	$996	1.2%	**$1,008**	$996	1.2%
Prince Edward Island							
Charlottetown (2)	1,135	**$1,091**	$1,017	7.3%	**$1,030**	$1,017	1.3%
Alberta							
Calgary	764	**$1,308**	$1,248	4.8%	**$1,262**	$1,248	1.1%
Edmonton	579	**$1,476**	$1,482	(0.4)%	**$1,476**	$1,482	(0.4)%
British Columbia							
Victoria	317	**$1,737**	$1,577	10.1%	**N/A**	N/A	N/A
Other Atlantic	469	**$930**	$914	1.8%	**$930**	$914	1.8%
Total Apartments (weighted average)	**17,377**	**$1,193**	$1,138	4.8%	**$1,170**	$1,133	3.3%

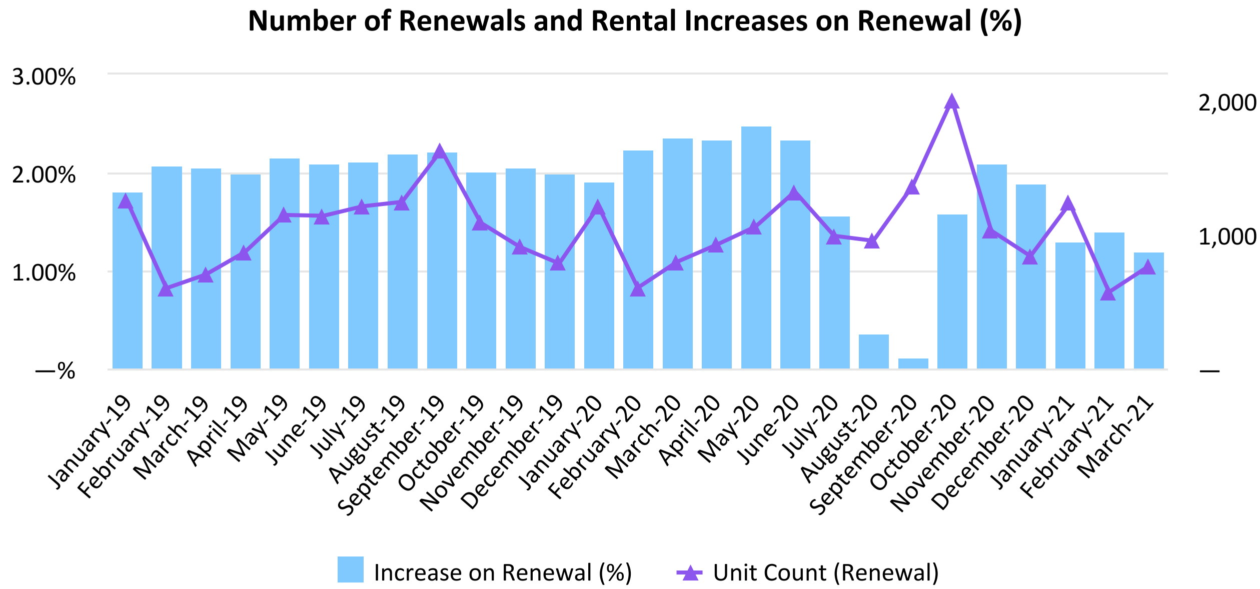
(1) The higher than normal increase in average rent is a result of the acquisition of 88 Sunset, which contains 162 newly constructed, larger style units.
(2) The higher than normal increase in average rent is a result of two recently completed developments, Shorefront and 10 Harley.

Same Property Rental Increases – Tenant Renewals versus Unit Turns

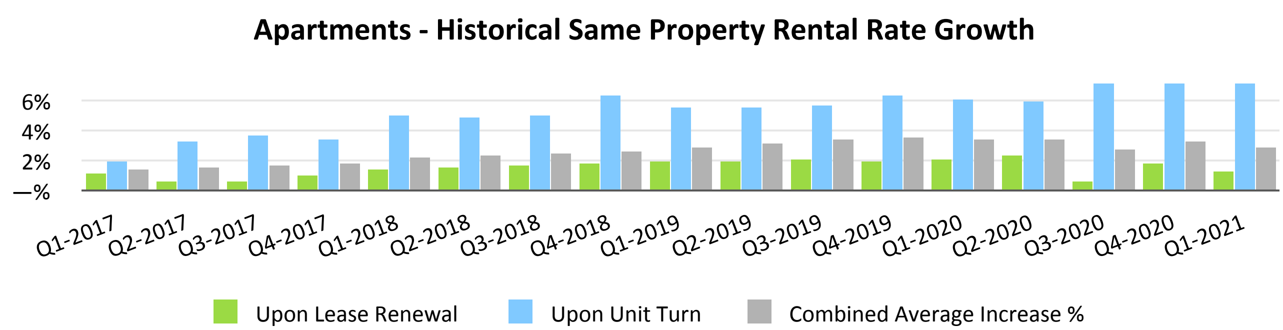
Killam typically turns approximately 30% to 32% of its units each year, with the trend declining in recent years, including 2020, where turnover levels were down 160 bps from 2019, at approximately 29%. Upon turn, Killam will typically generate rental increases by moving rental rates to market and, where market demand exists, by upgrading units for unlevered returns of 10%–15% on capital invested. Killam saw a 50 bps decline in its same property weighted average rental increases, to 2.9% in the first three months of 2021, compared to 3.4% for the same period of 2020. The decline is primarily attributable to provincial rent restrictions for existing tenants in response to COVID-19, including a rent freeze in Ontario and a 2.0% rent cap in Nova Scotia. The chart below summarizes the rental increases that came into effect during Q1-2021 and Q1-2020.

	For the three months ended March 31,			
	2021		**2020**	
	Rental Increases	Turnovers & Renewals (1)	Rental Increases	Turnovers & Renewals (1)
Lease renewal	**1.3%**	**73.7%**	2.1%	79.6%
Unit turn – regular	**4.4%**	**22.6%**	6.0%	17.4%
Unit turn – repositioned (2)	**26.4%**	**3.7%**	28.4%	3.0%
Rental increase (weighted avg)	**2.9%**		3.4%	

(1) The percentage of total units renewed and turned during the three months ended March 31, 2021, was 20.1% (March 31, 2020 - 20.1%).
(2) The weighted average rental lift on the units repositioned is based on the 130 units re-leased during the three months ended March 31, 2021.



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



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

Apartment Expenses

Total operating expenses for the three months ended March 31, 2021, were $23.3 million, a 7.6% increase over the same period of 2020, due primarily to incremental costs associated with recent acquisitions and developments, property taxes and general operating expense increases. Total same property operating expenses increased by 0.3% for the three months ended March 31, 2021, as higher general operating expenses and property taxes were almost fully offset by lower utility costs. Utility savings were attributable to lower natural gas rates and reduced consumption from energy efficiency initiatives and a mild winter.

Property Operating Expenses
Property operating expenses for the apartment portfolio include repairs and maintenance, contract services, insurance, property management and resident manager wages and benefits, uncollectible accounts, marketing, advertising and leasing costs. The increase in same property general operating costs of 3.2% for the three months ended March 31, 2021, was largely due to increased wages for front-line staff and higher insurance premiums over the same period of 2020.

Utility and Fuel Expenses

	Three months ended March 31,		
	2021	2020	% Change
Natural gas	**$2,371**	$2,557	(7.3)%
Electricity	**2,062**	2,261	(8.8)%
Water	**1,418**	1,408	0.7%
Oil & propane	**373**	447	(16.6)%
Other	**17**	16	6.3%
Total utility and fuel expenses	**$6,241**	$6,689	(6.7)%

Killam’s apartments are heated with natural gas (58%), electricity (32%), oil (6%), steam (2%), geothermal (2%) and propane (less than 1%). Electricity costs relate primarily to common areas, as unit electricity costs are typically paid by tenants, reducing Killam’s exposure to the majority of Killam's 5,000 apartments heated with electricity. Fuel costs associated with central natural gas or oil-fired heating plants are paid by Killam.

Utility and fuel expenses accounted for approximately 29% of Killam’s total apartment same property operating expenses for the three months ended March 31, 2021. Total same property utility and fuel expenses decreased 6.7% for the three months ended March 31, 2021.

Same property natural gas expense decreased by 7.3% for the three months ended March 31, 2021. The significant decrease in natural gas expense was primarily attributable to decreases in commodity prices in New Brunswick and Nova Scotia of 13% and 8% and milder weather quarter-over-quarter.

Electricity costs were 8.8% lower for the three months ended March 31, 2021, primarily due to consumption savings from LED lighting retrofits and warmer temperatures, more than offsetting rising rates, as well as a reduction of unit electricity being included as part of a tenant's monthly rent in certain regions given strong market fundamentals.

Heating oil and propane costs decreased by 16.6% for the three months ended March 31, 2021, compared to the same period of 2020, as a result of decreases in oil prices coupled with increased efficiencies from boiler upgrades and switching to natural gas at certain properties.

Property Taxes
Same property property tax expense for the three months ended March 31, 2021 was $7.0 million, a 3.5% increase from Q1-2020. During the quarter, Killam experienced property tax increases across the majority of its regions, with Calgary and Halifax seeing the largest increases of 10.5% and 6.2%. Killam actively reviews its property tax assessments and will appeal tax assessment increases wherever possible to minimize this impact.

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

Apartment Same Property NOI by Region

Three months ended March 31,

	Property Revenue			Property Expenses			Net Operating Income		
	2021	2020	% Change	**2021**	2020	% Change	**2021**	2020	% Change
Nova Scotia									
Halifax	**$20,909**	$20,410	2.4%	**($7,588)**	($7,579)	0.1%	**$13,321**	$12,831	3.8%
	20,909	20,410	2.4%	**(7,588)**	(7,579)	0.1%	**13,321**	12,831	3.8%
Ontario									
Ottawa	**3,898**	3,800	2.6%	**(1,287)**	(1,265)	1.7%	**2,611**	2,535	3.0%
London	**2,079**	2,054	1.2%	**(750)**	(719)	4.3%	**1,329**	1,335	(0.4)%
Cambridge-GTA	**4,183**	4,054	3.2%	**(1,365)**	(1,362)	0.2%	**2,818**	2,692	4.7%
	10,160	9,908	2.5%	**(3,402)**	(3,346)	1.7%	**6,758**	6,562	3.0%
New Brunswick									
Moncton	**5,633**	5,525	2.0%	**(2,543)**	(2,595)	(2.0)%	**3,090**	2,930	5.5%
Fredericton	**5,003**	4,801	4.2%	**(2,085)**	(2,072)	0.6%	**2,918**	2,729	6.9%
Saint John	**3,223**	3,078	4.7%	**(1,690)**	(1,695)	(0.3)%	**1,533**	1,383	10.8%
	13,859	13,404	3.4%	**(6,318)**	(6,362)	(0.7)%	**7,541**	7,042	7.1%
Newfoundland & Labrador									
St. John's	**2,468**	2,481	(0.5)%	**(918)**	(885)	3.7%	**1,550**	1,596	(2.9)%
	2,468	2,481	(0.5)%	**(918)**	(885)	3.7%	**1,550**	1,596	(2.9)%
Prince Edward Island									
Charlottetown	**3,014**	2,974	1.3%	**(1,352)**	(1,386)	(2.5)%	**1,662**	1,588	4.7%
	3,014	2,974	1.3%	**(1,352)**	(1,386)	(2.5)%	**1,662**	1,588	4.7%
Alberta									
Calgary	**1,994**	2,118	(5.9)%	**(752)**	(714)	5.3%	**1,242**	1,404	(11.5)%
Edmonton	**2,398**	2,419	(0.9)%	**(906)**	(952)	(4.8)%	**1,492**	1,467	1.7%
	4,392	4,537	(3.2)%	**(1,658)**	(1,666)	(0.5)%	**2,734**	2,871	(4.8)%
Other Atlantic locations	**1,320**	1,314	0.5%	**(582)**	(538)	8.2%	**738**	776	(4.9)%
	$56,122	$55,028	2.0%	**($21,818)**	($21,762)	0.3%	**$34,304**	$33,266	3.1%

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

MHC Results

For the three months ended March 31,

	Total Portfolio			Same Property		
	2021	2020	% Change	**2021**	2020	% Change
Property revenue	**$3,348**	$3,199	4.7%	**$3,275**	$3,185	2.8%
Property operating expenses	**1,624**	1,489	9.1%	**1,560**	1,520	2.6%
NOI	**$1,724**	$1,710	0.8%	**$1,715**	$1,665	3.0%
Operating margin %	**51.5%**	53.5%	(200) bps	**52.4%**	52.3%	10 bps

The MHC business generated 4.2% of Killam's NOI for the three months ended March 31, 2021. The MHC portfolio generates its highest revenues and NOI during the second and third quarters of each year due to the contribution from its nine seasonal resorts that usually earn approximately 60% of their NOI between July and September. Overall, the MHC portfolio generated same property NOI growth of 3.0% for the three months ended March 31, 2021. Excluding seasonal resorts, the MHC portfolio generated same property NOI growth of 3.8% for the three months ended March 31, 2021.

For the three months ended March 31,

	Property Revenue			Property Expenses			Net Operating Income		
	2021	2020	% Change	**2021**	2020	% Change	**2021**	2020	% Change
Permanent MHCs	**$2,986**	$2,915	2.4%	**($1,178)**	($1,173)	0.4%	**$1,808**	$1,742	3.8%
Seasonal Resorts	**289**	270	7.0%	**(382)**	(347)	10.1%	**(93)**	(77)	20.8%
	$3,275	$3,185	2.8%	**($1,560)**	($1,520)	2.6%	**$1,715**	$1,665	3.0%

For the three months ended March 31, 2021, same property permanent MHCs generated a 3.8% increase in NOI, with average rent increasing 2.2% in Q1-2021, to $278 per site compared to $272 per site in Q1-2020. Combined permanent and seasonal MHC average rent decreased by 0.8%, to $260 per site in Q1-2021 from $262 per site in Q1-2020, and increased occupancy of 98.3%, compared to 97.7% in Q1-2020. Killam's seasonal resorts typically experience losses in the first quarter of the year due to the seasonality of the business with full operations typically opening in mid-May.

Commercial Results

For the three months ended March 31,

	Total Portfolio			Same Property		
	2021	2020	% Change	**2021**	2020	% Change
Property revenue	**$4,094**	$4,005	2.2%	**$4,024**	$3,922	2.6%
Property operating expenses	**2,145**	2,068	3.7%	**1,972**	1,935	1.9%
NOI	**$1,949**	$1,937	0.6%	**$2,052**	$1,987	3.3%

Killam's commercial property portfolio contributed $1.9 million, or 4.9%, of Killam's total NOI for the three months ended March 31, 2021. Killam's commercial property portfolio contains 749,661 SF, located in four of Killam's core markets. Commercial same property results represent 98.3% of Killam's commercial square footage and consist of Westmount Place located in Waterloo, Charlottetown Mall in Charlottetown, Dieppe Village in Moncton and the Brewery Market, Benjamin Weir House, Medical Arts, and Killam's head office, located in Halifax. Same property results do not include properties that were recently acquired or those that are slated for redevelopment and not operating as stabilized properties. Total commercial occupancy was 89.7% for Q1-2021, compared to 90.1% in Q1-2020.

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

PART V

Other Income and Expenses

Other Income

	Three months ended March 31,		
	2021	2020	% Change
	$237	$184	28.8%

Other income includes property management fees for jointly held properties, interest on bank balances, and net revenue associated with the sale of homes in Killam's MHC segment. The 28.8% increase for the three months ended March 31, 2021, was due primarily to increased home sales quarter-over-quarter.

Financing Costs

	Three months ended March 31,		
	2021	2020	% Change
Mortgage, loan and construction loan interest	**$11,139**	$10,823	2.9%
Interest on credit facilities	**307**	337	(8.9)%
Interest on exchangeable units	**697**	692	0.7%
Amortization of deferred financing costs	**877**	744	17.9%
Amortization of fair value adjustments on assumed debt	**12**	24	(50.0)%
Unrealized loss (gain) on derivative liability	**(40)**	443	(109.0)%
Interest on lease liabilities	**97**	96	1.0%
Capitalized interest	**(741)**	(575)	28.9%
	$12,348	$12,584	(1.9)%

Total financing costs decreased $0.2 million, or 1.9%, for the three months ended March 31, 2021, as compared to the same period of 2020.

Mortgage, loan and construction loan interest expense was $11.1 million for the three months ended March 31, 2021, an increase of $0.3 million, or 2.9%, compared to the same period of 2020. Killam's mortgage, loan and construction loan liability balance increased by $205.3 million over the past twelve months as Killam upfinanced maturing mortgages within its existing portfolio and obtained financing for acquisitions and developments. The average interest rate on refinancings for the three months ended March 31, 2021, was 1.67%, 55 bps lower than the average interest rate on expiring debt.

Deferred financing costs include mortgage assumption fees, application fees and legal costs related to financings and refinancings. These costs are amortized over the term of the respective mortgages. CMHC insurance fees are amortized over the amortization period of the mortgage. Deferred financing amortization costs increased 17.9%, compared to Q1-2020, following mortgage refinancings and debt related to property acquisitions over the past twelve months. Based on the current portfolio, normalized deferred financing costs are expected to be approximately $0.9 million per quarter. This expense may fluctuate with refinancings.

Capitalized interest increased 28.9% for the three months ended March 31, 2021, compared to the same period of 2020. Capitalized interest will vary depending on the number of development projects underway and their stages in the development cycle. Interest costs associated with development projects are capitalized to the respective development property until substantial completion.

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

Depreciation Expense

	Three months ended March 31,		
	2021	2020	% Change
	$133	$147	(9.5)%

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

Administration Expenses

	Three months ended March 31,		
	2021	2020	% Change
Administration	**$3,653**	$3,751	(2.6)%
As a percentage of total revenues	**5.4%**	5.9%	(50) bps

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

For the three months ended March 31, 2021, total administration expenses decreased $0.1 million, or 2.6%, compared to the same period of 2020, due to travel expenses. Administration expenses as a percentage of total revenues were 5.4% for Q1-2021, 50 bps lower than Q1-2020.

Fair Value Adjustments

	Three months ended March 31,		
	2021	2020	% Change
Investment properties	**$13,809**	$8	172,512.5%
Deferred unit-based compensation	**(211)**	500	(142.2)%
Exchangeable units	**(5,742)**	13,125	(143.7)%
	$7,856	$13,633	(42.4)%

Killam recognized $13.8 million in fair value gains related to its apartment investment properties for the three months ended March 31, 2021, compared to $8.0 thousand in fair value gains for the three months ended March 31, 2020.

Due to the ongoing impact of COVID-19, it is not possible to forecast with certainty the duration and full scope of the economic impact and other consequential changes it will have on Killam's business and operations, both in the short-term and in the medium-term. Certain aspects of Killam's business and operations that could potentially be impacted include market rents, collection of rental income, and occupancy, which all could ultimately impact NOI and the underlying valuation of investment properties.

RTUs governed by Killam's RTU Plan are awarded to certain members of Management as a portion of their compensation. Non-executive members of the Board of Trustees have the right to receive a percentage of their annual retainer in the form of RTUs. This aligns the interests of Management and the Trustees with those of unitholders. For the three months ended March 31, 2021, there was an unrealized fair value loss of $0.2 million, compared to a $0.5 million gain in Q1-2020, due to changes in the market price of the underlying Killam trust units.

Distributions paid on exchangeable units are consistent with distributions paid to Killam's unitholders. The exchangeable units are redeemable on a one-for-one basis into trust units at the option of the holder. The fair value of the exchangeable units is based on the trading price of Killam's trust units. For the three months ended March 31, 2021, there was an unrealized loss on remeasurement of $5.7 million, compared to an unrealized gain of $13.1 million in the same period of 2020. The unrealized loss in the quarter reflects an increase in Killam's unit price as at March 31, 2021, compared to December 31, 2020.

Deferred Tax Expense (Recovery)

	Three months ended March 31,		
	2021	2020	% Change
	$4,800	($3,119)	253.9%

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

Killam's deferred tax expense increased $7.9 million for the three months ended March 31, 2021, compared to the same period of 2020, primarily due to the fair value gains on investment properties quarter-over-quarter.

PART VI

Per Unit Calculations

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

	Weighted Average Number of Units (000s) Three months ended March 31,			Outstanding Number of Units (000s) as at March 31,
	2021	2020	% Change	**2021**
Trust units	**103,407**	98,036	5.5%	**103,607**
Exchangeable units	**4,102**	4,154	(1.3)%	**4,102**
Basic number of units	**107,509**	102,190	5.2%	**107,709**
Plus:				
Units under RTU plan [(1)]	**160**	168	(4.8)%	—
Diluted number of units	**107,669**	102,358	5.2%	—

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

Funds from Operations

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

	Three months ended March 31,		
	2021	2020	% Change
Net income	**$27,422**	$38,502	(28.8)%
Fair value adjustments	**(7,856)**	(13,633)	(42.4)%
Non-controlling interest	**(2)**	(3)	(33.3)%
Internal commercial leasing costs	**52**	81	(35.8)%
Deferred tax expense (recovery)	**4,800**	(3,119)	(253.9)%
Interest expense on exchangeable units	**697**	692	0.7%
Unrealized (gain) loss on derivative liability	**(40)**	443	(109.0)%
Depreciation on owner-occupied building	**27**	42	(35.7)%
Change in principal related to lease liabilities	**7**	8	(12.5)%
FFO	**$25,107**	$23,013	9.1%
FFO per unit – basic	**$0.23**	$0.23	—%
FFO per unit – diluted	**$0.23**	$0.22	4.5%
Weighted average number of units – basic (000s)	**107,509**	102,190	5.2%
Weighted average number of units – diluted (000s)	**107,669**	102,358	5.2%

Killam earned FFO of $25.1 million, or $0.23 per unit (diluted), for the three months ended March 31, 2021, compared to $23.0 million, or $0.22 per unit (diluted), for the three months ended March 31, 2020. FFO growth is primarily attributable to contributions from acquisitions and completed developments ($0.7 million), same property NOI growth ($0.6 million) and decreased interest expenses ($0.7 million). These increases were partially offset by a 5.2% increase in the weighted average number of units outstanding.

Adjusted Funds from Operations

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

Killam uses a rolling three-year historic average of actual maintenance capex for its apartment and MHC portfolios to calculate AFFO. This includes a maintenance capex reserve of $900 per apartment unit, $300 per MHC site and $0.80 per SF for commercial properties. Details regarding the maintenance capex calculations are included in Killam's 2020 MD&A.

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

	Three months ended March 31,		
	2021	2020	% Change
FFO	**$25,107**	$23,013	9.1%
Maintenance capital expenditures	**(4,369)**	(4,166)	4.9%
Commercial straight-line rent adjustment	**(173)**	(154)	12.3%
Internal commercial leasing costs	**(79)**	(127)	(37.8)%
AFFO	**$20,486**	$18,566	10.3%
AFFO per unit – basic	**$0.19**	$0.18	5.6%
AFFO per unit – diluted	**$0.19**	$0.18	5.6%
AFFO payout ratio – diluted	**89%**	92%	(300) bps
AFFO payout ratio – rolling 12 months (1)	**81%**	81%	– bps
Weighted average number of units – basic (000s)	**107,509**	102,190	5.2%
Weighted average number of units – diluted (000s)	**107,699**	102,358	5.2%

(1) Based on Killam's annual distribution of $0.68004 for the 12-month period ended March 31, 2021, and $0.66167 for the 12-month period ended March 31, 2020. The calculation uses a maintenance capex reserve for apartments of $900 for the rolling 12 months ended March 31, 2021 and 2020.

The payout ratio of 89% in Q1-2021, compared to the rolling 12-month payout ratio of 81%, corresponds with the seasonality of Killam's business. Killam's first quarter typically has the highest payout ratio due to the lower operating margin in the period attributable to higher heating costs in the winter months. In addition, the MHC portfolio typically generates its highest revenues and NOI during the second and third quarters of the year due to the contribution from its seasonal resorts that generate approximately 60% of their NOI between July and September each year.

The improvement in the AFFO payout ratio during the quarter is attributable to higher AFFO per unit growth of 5.6%.

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

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

Adjusted Cash Flow from Operations

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

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

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

	Three months ended March 31,		
	2021	2020	% Change
Cash provided by operating activities	**$27,755**	$26,408	5.1%
Adjustments:			
Changes in non-cash working capital not indicative of sustainable cash flows	**(2,475)**	(2,317)	6.8%
Maintenance capital expenditures	**(4,369)**	(4,166)	4.9%
Internal commercial leasing costs	**(42)**	(80)	(47.5)%
Amortization of deferred financing costs	**(877)**	(744)	17.9%
Interest expense related to lease liability	**(7)**	(8)	(12.5)%
Non-controlling interest	**(2)**	(3)	(33.3)%
ACFO	**$19,983**	$19,090	4.7%
Distributions declared (1)	**17,645**	17,224	2.4%
Excess of ACFO over cash distributions	**$2,338**	$1,866	25.3%
ACFO payout ratio – diluted (2)	**88%**	90%	(200) bps

(1) Includes distributions on trust units, exchangeable units and restricted trust units, as summarized on page 35.

(2) Based on Killam's monthly distribution of $0.05667 per unit for April 2020 to March 2021.

Killam's ACFO payout ratio is 88% for the three months ended March 31, 2021, a decrease of 200 bps from the payout ratio for the three months ended March 31, 2020. Similarly to the AFFO payout ratio, Killam's first quarter typically has the highest ACFO payout ratio due to the lower operating margin in the period attributable to higher heating costs in the winter months and the fact the MHC portfolio typically generates its highest revenues and NOI during the second and third quarters of the year.

Cash Provided by Operating Activities and Distributions Declared

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

	Three months ended March 31,	
	2021	2020
Net income	**$27,422**	$38,502
Cash provided by operating activities	**$27,755**	$26,408
Total distributions declared	**$17,645**	$17,224
Excess of net income over total distributions declared	**$9,777**	$21,278
Excess of net income over net distributions paid (1)	**$15,345**	$25,507
Excess of cash provided by operating activities over total distributions declared	**$10,110**	$9,184

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

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

PART VII

Investment Properties

As at

	March 31, 2021	December 31, 2020	% Change
Investment properties	**$3,674,222**	$3,570,198	2.9%
Investment properties under construction ("IPUC")	**134,046**	128,100	4.6%
Land for development	**43,498**	43,620	(0.3)%
	$3,851,766	$3,741,918	2.9%

Continuity of Investment Properties

As at

	March 31, 2021	December 31, 2020	% Change
Balance, beginning of period	**$3,570,198**	$3,234,410	10.4%
Acquisition of properties	**62,421**	206,616	(69.8)%
Transfer from IPUC	**16,758**	22,117	(24.2)%
Capital expenditures	**11,036**	65,693	(83.2)%
Fair value adjustment - Apartments	**13,938**	53,765	(74.1)%
Fair value adjustment - MHCs	**(56)**	1,820	(103.1)%
Fair value adjustment - Commercial	**(73)**	(14,862)	(99.5)%
Impact of change in right-of-use asset	**—**	639	(100.0)%
Balance, end of period	**$3,674,222**	$3,570,198	2.9%

Killam reviewed its valuation of investment properties in light of COVID-19 as at March 31, 2021 assessing the impact on cap-rates, rental rate growth and occupancy assumptions. It is not possible to forecast with certainty the duration and full scope of the economic impact of COVID-19 and other consequential changes on Killam's business and operations, both in the short-term and in the long-term. In the long-term scenario the aspects which could be impacted include rental rates, occupancy and cap-rates, which would impact the underlying valuation of investment properties.

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

Capitalization Rates

	March 31, 2021			December 31, 2020			March 31, 2020		
	Low	**High**	**Effective Weighted Average**	Low	High	Effective Weighted Average	Low	High	Effective Weighted Average
Apartments	**3.25%**	**7.00%**	**4.67%**	3.25%	7.00%	4.67%	3.50%	8.00%	4.75%
MHCs	**5.00%**	**6.50%**	**5.64%**	5.00%	6.50%	5.64%	5.00%	6.50%	5.64%

The quantitative sensitivity analysis shown below illustrates the value increase or decrease in Killam's portfolio of properties given the change in the noted input:

Cap-rate Sensitivity Increase (Decrease)	Fair Value of Investment Properties [1]	Effective Weighted Average	Fair Value Variance	% Change
(0.50)%	$3,935,497	4.23%	$403,456	11%
(0.25)%	3,715,113	4.48%	183,072	5%
—%	3,532,041	4.73%	—	—%
0.25%	3,341,032	4.98%	(191,009)	(5)%
0.50%	3,180,925	5.23%	(351,116)	(10)%

[1] Includes Killam's apartment and MHC portfolios, which are valued using the direct income capitalization method.

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

2021 Acquisitions - Investment Properties

Property	Location	Acquisition Date	Ownership Interest	Property Type	Units/SF	Purchase Price [1]
Nolan Hill [2]	Calgary, AB	21-Jan-21	100%	Apartment	233	$49,500
Sherwood Crossing Land	Charlottetown, PE	29-Jan-21	100%	Development Land	—	3,400
1313-1321 Hollis Street [3]	Halifax, NS	29-Jan-21	100%	Commercial/Development Land	—	3,000
54 Assomption Blvd	Moncton, NB	01-Feb-21	100%	Apartment	23	5,600
Southport [3]	Stratford, PE	01-Feb-21	100 %	Development Land	33	3,800
Total Acquisitions						**$65,300**

(1) Purchase price does not include transaction costs.
(2) Killam had a 10% interest in the Nolan Hill development of $4.8 million and acquired the remaining 90% interest in January 2021, based on the purchase price of $55.0 million, for a 100% interest.
(3) Revenue generating properties acquired for future development potential.

Nolan Hill
On January 21, 2021, Killam completed the acquisition of the remaining 90% interest in 233 apartment units in Calgary, AB, for $49.5 million. This property is in the lease-up phase and is currently 75% leased.

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

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

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

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

Investment Properties Under Construction

As at

	March 31, 2021	December 31, 2020	% Change
Balance, beginning of period	**$128,100**	$46,867	173.3%
Fair value adjustment	—	10,184	(100.0)%
Capital expenditures	**18,005**	76,050	(76.3)%
Interest capitalized	**567**	1,686	(66.4)%
Acquisitions	—	3,968	(100.0)%
Transfer to investment properties	**(16,758)**	(22,117)	(24.2)%
Transfer from land for development	**4,132**	11,462	(64.0)%
Balance, end of period	**$134,046**	$128,100	4.6%

Killam's 38-unit 10 Harley project reached substantial completion in March 2021 and was transferred from IPUC to investment properties. Final project costs are estimated to be approximately $10.4 million. Tenants began moving in during March 2021 and the property is currently 63% leased. The remainder of the balance transferred from IPUC to investment properties related to Killam's 10% interest in the Nolan Hill project.

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

Land for Development

As at			
	March 31, 2021	December 31, 2020	% Change
Balance, beginning of period	**$43,620**	$39,327	10.9%
Fair value adjustment	**—**	(4,022)	(100.0)%
Capital expenditures	**353**	3,339	(89.4)%
Interest capitalized	**173**	987	(82.5)%
Acquisitions	**3,484**	1,237	181.6%
Transfer to IPUC	**(4,132)**	(11,462)	(64.0)%
Transfer from held for sale [1]	**—**	14,214	(100.0)%
Balance, end of period	**$43,498**	$43,620	(0.3)%

[1] In 2020, Killam determined that this parcel of land for development, previously classified as held for sale no longer met the criteria for this classification. As at March 31, 2020, Killam reclassified the land to investment properties. As at March 31, 2021, the property has a carrying value of $8.1 million (Killam's 40% interest).

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

Property	**Location**	**Ownership**	**Number of Units [1]**	**Project Budget (millions)**	**Start Date**	**Estimated Year of Completion**	**Anticipated All-cash Yield**
Latitude	Ottawa, ON	50%	104	$43.5	2019	2022	4.40% - 4.60%
The Kay	Mississauga, ON	100%	128	$57.0	2019	Q4-2021	4.75% - 5.00%
Luma	Ottawa, ON	50%	84	$44.3	2019	2022	4.00% - 4.25%
Civic 66	Kitchener, ON	100%	169	$69.7	2020	2022	4.75% - 5.00%
The Governor	Halifax, NS	100%	12	$21.5	2021	2022	4.50% - 4.75%
Total			497	$236.0			

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

Latitude

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

The Kay

The budget for this 128-unit development located in Mississauga, ON, is $57.0 million, with an anticipated all-cash yield in the range of 4.75% - 5.00%, approximately a 125–175 bps premium over the market cap-rate for a similar quality asset. The development broke ground during the third quarter of 2019 and is expected to be completed in late 2021. Construction financing was put in place during Q2-2020 and all remaining development costs will be funded through this financing.

Luma

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

Civic 66

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

Governor

In early 2021, Killam broke ground on 12 luxury units and 3,500 SF of ground floor commercial space, located behind The Alexander, in Halifax, NS. The budget for the development is $21.5 million, with an anticipated all-cash yield in the range of 4.50% - 4.75%.

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

Future Development Pipeline

Killam has a robust development pipeline. Fifty-five percent of Killam's development pipeline is outside Atlantic Canada. Killam targets yields of 4.5% - 5.0% on developments, 50-150 bps higher than the expected cap-rate value on completion. Building out the approximate $1.0 billion pipeline at a 100 bps spread should create approximately $250.0 million in NAV growth for unitholders. Killam currently has the following land available for future development:

Property	Location	Killam's Interest	Development Potential (# of Units) [1]	Status	Estimated Year of Completion
Developments expected to start in 2021					
Westmount Place (Phase 1)	Waterloo, ON	100%	140	In design and approval process	2024
Developments expected to start in 2022-2026					
Carlton East & West	Halifax, NS	100%	140	In design	2024
Stratford land	Charlottetown, PE	100%	175	In design	2024
Sherwood Crossing	Charlottetown, PE	100%	325	In design	2025
Hollis Street	Halifax, NS	100%	90	In design	2025
Gloucester City Centre (Phase 3-4)	Ottawa, ON	50%	200	In design	2025
Westmount Place (Phase 2-5)	Waterloo, ON	100%	908	In design	2028
Additional future development projects					
Gloucester City Centre (Phase 5)	Ottawa, ON	50%	100	Future development	TBD
Kanata Lakes	Ottawa, ON	50%	40	Future development	TBD
St. George Street	Moncton, NB	100%	60	Future development	TBD
15 Haviland	Charlottetown, PE	100%	60-90	Future development	TBD
Christie Point	Victoria, BC	100%	312	Future development	TBD
Medical Arts	Halifax, NS	100%	200	Future development	TBD
Topsail Road	St. John's, NL	100%	225	Future development	TBD
Block 4	St. John's, NL	100%	80	Future development	TBD
Total Development Opportunities [2]			**3,055**		

(1) Represents Killam's ownership in the potential development units.
(2) In addition, Killam has a 10% interest in the remaining three phases of Nolan Hill, totalling another 596 units.

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

Capital Improvements

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

During the three months ended March 31, 2021, Killam invested $11.0 million consistent with the capital spending in Q1-2020. Killam continues to review its capital plan for 2021 and expects to invest in the range of $65.0–$75.0 million during the year.

	Three months ended March 31,		
	2021	2020	% Change
Apartments	**$10,518**	$10,106	4.1%
MHCs	**461**	308	49.7%
Commercial	**57**	639	(91.1)%
	$11,036	$11,053	(0.2)%

Apartments - Capital Investment

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

	Three months ended March 31,		
	2021	2020	% Change
Suite renovations and repositionings	**$4,496**	$5,207	(13.7)%
Building improvements	**4,598**	2,823	62.9%
Appliances	**891**	571	56.0%
Energy	**380**	670	(43.3)%
Common area	**153**	835	(81.7)%
Total capital invested	**$10,518**	$10,106	4.1%
Average number of units outstanding (1)	**16,757**	16,009	4.7%
Capital invested - $ per unit	**$628**	$631	(0.5)%

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

Killam invested $628 per unit for the three months ended March 31, 2021, compared to $631 per unit for the same period of 2020. Killam's focus on development and acquisition of newer properties translates into a lower capital investment per unit than many other apartment owners in Canada. Thirty-six percent of Killam's apartments, as a percentage of 2021 forecasted NOI, were built in the past 10 years, and the average age of Killam's portfolio is 28 years. This portfolio of newer assets allows Killam to focus on value-enhancing opportunities as the maintenance capital requirements are lower.

Suite Renovations and Repositionings
Killam invested $4.5 million in suite renovations during the three months ended March 31, 2021, a 13.7% decrease over the total investment of $5.2 million for the three months ended March 31, 2020. Killam continues to focus on unit renovations to maximize occupancy and rental growth. Killam targets a minimum ROI of 10% for its suite renovations, earning rental growth of 10%–30%. The timing of suite renovation investment is influenced by tenant turnover, market conditions and individual property requirements. The length of time that Killam has owned a property and the age of the property also impact capital requirements. During the first quarter, Killam completed repositioning of 149 units, with an average investment of approximately $25,500 per suite, generating an average ROI of 12.0%, compared to 95 units in Q1-2020.

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

A summary of the repositioning activities for the three months ended March 31, 2021 is set out below:

	2021 Repositioning Program			
Region	Q1-2021 Units Repositioned	Average Investment per Unit	Rental Lift Achieved %	Avg Return on Investment
Nova Scotia	107	$26,000	21.0%	11.0%
Ontario	13	$34,800	29.0%	14.0%
New Brunswick	28	$18,800	28.0%	17.0%
Newfoundland	1	$40,000	32.0%	9.0%
Total (weighted average)	**149**	**$25,500**	**24.0%**	**12.0%**

Killam is targeting 550 repositionings in 2021; however, the number completed will depend upon the impact and duration of COVID-19. In the long term, Killam estimates that the reposition opportunity within the current portfolio is approximately an additional 5,000 units, which should generate an estimated $17.0 million in additional annualized revenue representing an approximate $230 million increase in NAV.

Building Improvements
These investments include larger building improvement projects such as exterior cladding and brick work, balcony refurbishments, roof upgrades, and sidewalk replacements, as well as smaller building improvement projects such as plumbing improvements, fire safety, security systems and window upgrades. The increase in building investments for the three months ended March 31, 2021 relates primarily to the timing of multi-phase building envelope projects.

Energy
After the successful completion of Killam's 5-year energy efficiency program in 2020, Killam continues to invest in additional energy efficiency initiatives. Some of these projects include the installation of photovoltaic solar panels at select properties, installation of EV chargers, boiler and heat pump replacements and electricity and water conservation projects. Many of these projects are scheduled to be completed in the second half of 2021. Killam also continues to augment its sustainability programs and improve its GRESB rating. Killam is committed to continuously lowering and reporting on its greenhouse gas emissions and also completing benchmarking using third-party validation.

MHCs - Capital Investment

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

	Three months ended March 31,		
	2021	2020	% Change
Water and sewer upgrades	**$210**	$194	8.2%
Site expansion and land improvements	**49**	96	(49.0)%
Other	**202**	18	1,022.2%
Total capital invested - MHCs	**$461**	$308	49.7%
Average number of sites	**5,786**	5,794	(0.1)%
Capital invested - $ per site	**$80**	$53	50.9%

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

Total capital invested during the three months ended March 31, 2021 was $0.5 million, up from $0.3 million in the three months ended March 31, 2020. The increase in capital spend is due to timing of various community enhancements and water and sewer upgrades. As with the apartment portfolio, the timing of MHC capital investment changes based on requirements at each community.

Commercial - Capital Investment

During the three months ended March 31, 2021, Killam invested $0.1 million in its commercial portfolio, down from $0.6 million for the three months ended March 31, 2020. This investment relates primarily to upgrades and tenant improvements at the Brewery Market and Westmount Place.

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

Mortgages and Other Loans

The table below outlines Killam's key debt metrics:

As at	**March 31, 2021**	December 31, 2020	Change
Weighted average years to debt maturity	**4.5**	4.5	—
Total debt to total assets	**45.5%**	44.6%	90 bps
Interest coverage	**3.35x**	3.36x	(0.3)%
Debt service coverage	**1.55x**	1.57x	(1.3)%
Debt to normalized EBITDA [(1)]	**11.06x**	10.78x	2.6%
Weighted average mortgage interest rate	**2.66%**	2.69%	(3) bps
Weighted average interest rate of total debt	**2.64%**	2.69%	(5) bps

(1) Ratio calculated net of cash.

Killam’s long-term debt consists largely of fixed-rate, long-term mortgages. Mortgages are secured by a first or second charge against individual properties. Killam’s weighted average interest rate on mortgages as at March 31, 2021, was 2.66%, 3 bps lower compared to the rate as at December 31, 2020.

Total debt as a percentage of total assets was 45.5% as at March 31, 2021, compared to 44.6% as at December 31, 2020. The increase in total leverage is attributable to additional financing to support Killam's development projects, and a higher balance on Killam's credit facilities as at March 31, 2021, compared to December 31, 2020. Management is focused on maintaining conservative debt levels. Total debt to total assets is sensitive to changes in the fair value of investment properties, in particular cap-rate changes.

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

Cap-rate Sensitivity Increase (Decrease)	**Fair Value of Investment Properties [(1)]**	**Total Assets**	**Total Debt as % of Total Assets**	**Change (bps)**
(0.50)%	$4,255,222	$4,283,820	41.2%	(430)
(0.25)%	$4,034,838	$4,063,436	43.4%	(200)
—%	$3,851,766	$3,880,364	45.5%	—
0.25%	$3,660,757	$3,689,355	47.9%	240
0.50%	$3,500,650	$3,529,248	50.0%	450

(1) Includes Killam's apartment and MHC portfolios, which are valued using the direct income capitalization method.

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

Refinancings

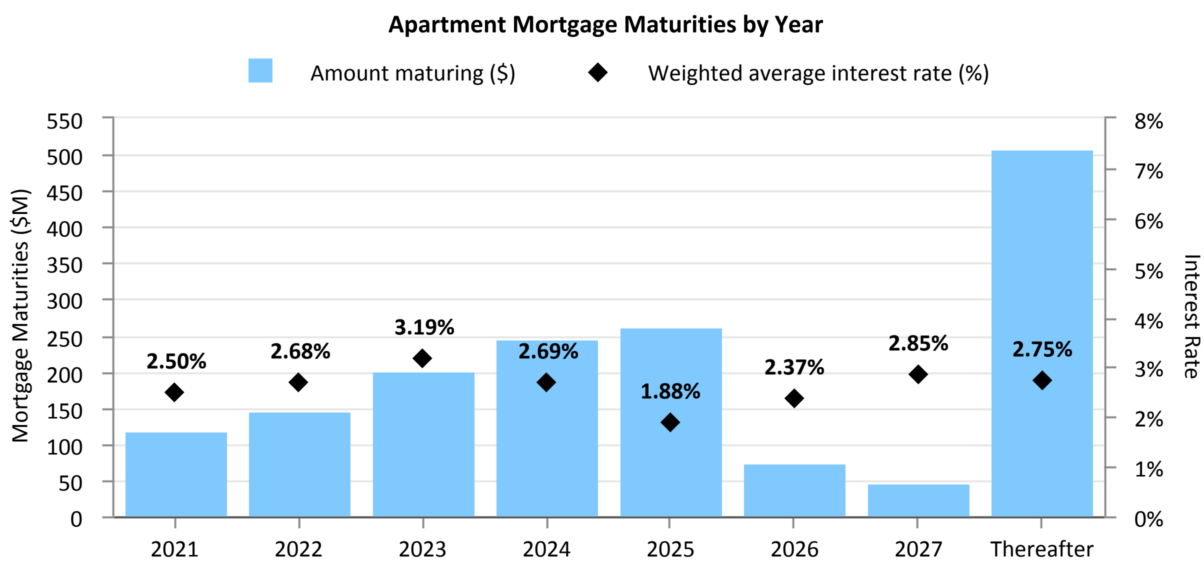
For the three months ended March 31, 2021, Killam refinanced the following mortgages:

	Mortgage Debt Maturities		Mortgage Debt on Refinancing		Weighted Average Term	Net Proceeds
Apartments	$9,172	2.03%	$11,396	1.57%	5.0 years	$2,224
MHCs	1,449	3.44%	1,449	2.44%	5.0 years	—
	$10,621	2.22%	$12,845	1.67%	5.0 years	$2,224

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

	Apartments			MHCs and Commercial		Total	
Year of Maturity	Balance March 31	Weighted Avg Int. Rate %	% CMHC Insured	Balance March 31	Weighted Avg Int. Rate %	Balance March 31 (1)	Weighted Avg Int. Rate %
2021	118,607	2.50%	85.4%	10,521	3.56%	129,128	2.58%
2022	145,368	2.68%	47.8%	23,828	3.58%	169,196	2.81%
2023	201,540	3.19%	67.3%	30,993	3.78%	232,533	3.27%
2024	245,820	2.69%	91.3%	13,041	3.49%	258,861	2.73%
2025	263,145	1.88%	74.6%	22,187	2.61%	285,332	1.94%
Thereafter	630,537	2.72%	100.0%	1,436	2.44%	631,973	2.71%
	1,605,017	2.62%	84.6%	102,006	3.40%	1,707,023	2.66%

(1) Excludes $5.8 million in variable rate demand loans secured by development properties, which are classified as mortgages and loans payable as at March 31, 2021.



Access to mortgage debt is essential in refinancing maturing debt and financing acquisitions. Management has diversified Killam's mortgages to avoid dependence on any one lending institution and has staggered maturity dates to manage interest rate risk. Management anticipates continued access to mortgage debt for both acquisitions and refinancings. Killam has experienced continued access to mortgage debt throughout the current COVID-19 pandemic. Access to CMHC-insured financing gives apartment owners an advantage over other asset classes as lenders are provided a government guarantee and therefore are able to lend at more favourable rates. As at March 31, 2021, approximately 84.6% of Killam's apartment mortgages were CMHC-insured (79.5% of total mortgages, as MHC and commercial mortgages are not eligible for CMHC insurance) (December 31, 2020 - 85.2% and 79.9%). The weighted average interest rate on the CMHC-insured mortgages was 2.57% as at March 31, 2021 (December 31, 2020 - 2.60%).

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

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

Remaining 2021 Debt Maturities	Number of Properties	Estimated NOI	Principal Balance (at maturity)
Apartments with debt maturing	36	$14,701	$117,512
MHCs with debt maturing	3	854	4,533
	39	$15,555	$122,045

2022 Debt Maturities	Number of Properties	Estimated NOI	Principal Balance (at maturity)
Apartments with debt maturing	22	$14,655	$139,744
MHCs with debt maturing	9	3,153	22,316
	31	$17,808	$162,060

Future Contractual Debt Obligations

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

Twelve months ending March 31,	Mortgage and Loans Payable	Construction Loans (1)	Credit Facilities	Total
2022	$226,079	$46,759	$42,584	$315,422
2023	198,149	—	—	198,149
2024	248,438	—	—	248,438
2025	307,600	—	—	307,600
2026	192,162	—	—	192,162
Thereafter	540,395	—	—	540,395
	$1,712,823	**$46,759**	**$42,584**	**$1,802,166**

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

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

Credit Facilities

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

The $110.0 million facility bears interest at prime plus 70 bps on prime rate advances or 170 bps over bankers' acceptances ("BAs"). The facility includes a $30.0 million demand revolver and a $80.0 million committed revolver as well as an accordion option to increase the $110.0 million facility by an additional $20.0 million. The agreement includes certain covenants and undertakings with which Killam was in compliance as at March 31, 2021. The facility matures on December 15, 2021.

The $10.0 million demand facility bears interest at prime plus 125 bps on advances and 135 bps on issuance of letters of credit in addition to 50 bps per annum. The agreement includes certain covenants and undertakings with which Killam was in compliance as at March 31, 2021.

As at March 31, 2021	**Maximum Loan Amount (1)**	**Amount Drawn**	**Letters of Credit**	**Amount Available**
$110.0 million facility	$130,000	$38,500	$—	$91,500
$10.0 million facility	10,000	4,084	1,870	4,046
Total	**$140,000**	**$42,584**	**$1,870**	**$95,546**

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

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

Construction Loans

As at March 31, 2021, Killam had access to five variable rate non-revolving demand construction loans, for the purpose of financing development projects, totalling $171.2 million. As at March 31, 2021, $46.8 million was drawn on the construction loans (December 31, 2020 - $41.3 million). Payments are made monthly on an interest-only basis. The weighted-average contractual interest rate on amounts outstanding is 2.36% (December 31, 2020 - 2.37%). Once construction is complete and rental targets achieved, the construction loans will be repaid in full and replaced with conventional mortgages.

Construction financing for Killam's Civic 66 development was finalized during Q1-2021.

Unitholders' Equity

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

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

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

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

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

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

Distribution Reinvestment Plan and Net Distributions Paid

	Three months ended March 31,		
	2021	2020	% Change
Distributions declared on trust units	**$16,889**	$16,472	2.5%
Distributions declared on exchangeable units	**697**	692	0.7%
Distributions declared on awards outstanding under RTU plan	**59**	60	(1.7)%
Total distributions declared	**$17,645**	$17,224	2.4%
Less:			
Distributions on trust units reinvested	**(5,509)**	(4,169)	32.1%
Distributions on RTUs reinvested	**(59)**	(60)	(1.7)%
Net distributions paid	**$12,077**	$12,995	(7.1)%
Percentage of distributions reinvested	**31.6%**	24.6%	

Liquidity and Capital Resources

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

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

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

(ii) Killam currently has access to approximately $95 million of capital under its credit facilities. Killam's acquisition capacity on its credit facility is over $200 million.

(iii) Mortgage refinancings and construction loans are expected to be sufficient to fund value-enhancing capex, principal repayments and developments. Killam has $118.6 million of mortgage debt scheduled for refinancing through to the end of 2021, expected to lead to upfinancing opportunities of approximately $45 million.

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

(v) Unencumbered assets of approximately $75.0 million, for which debt could be placed.

Killam is in compliance with all financial covenants contained in the DOT and through its credit facilities. Under the DOT, total indebtedness of Killam is limited to 70% of gross book value determined as the greater of (i) the value of Killam's assets as shown on the most recent condensed consolidated interim statement of financial position and (ii) the historical cost of Killam's assets. Total debt as a percentage of assets as at March 31, 2021 was 45.5%.

Killam has financial covenants on its $110.0 million credit facilities. The covenants require Killam to maintain a leverage limit of not more than 70% of debt to total assets, debt to service coverage of not less than 1.3 times and unitholders equity of not less than $900.0 million. As at May 5, 2021, Killam was in compliance with said covenants.

PART VIII

Risk Management

Killam faces a variety of risks, the majority of which are common to real estate entities. These are described in detail in the MD&A of Killam's 2020 Annual Report and in Killam's Annual Information Form, both filed on SEDAR. These factors continue to exist and remain relatively unchanged.

Critical Accounting Policies and Significant Accounting Judgments, Estimates and Assumptions

The condensed consolidated interim financial statements should be read in conjunction with Killam's most recently issued Annual Report, which includes information necessary or useful to understanding Killam's business and financial statement presentation. In particular, Killam's significant accounting policies were presented in note 2 to the audited consolidated financial statements for the year ended December 31, 2020, and any changes in the accounting policies applied have been described in note 2 to the condensed consolidated interim financial statements for the three months ended March 31, 2021.

The preparation of financial statements in conformity with IFRS requires Management to make estimates and assumptions. Significant areas of judgment, estimates and assumptions are set out in note 3 to the audited consolidated financial statements found in Killam's 2020 Annual Report. The most significant estimates relate to the fair value of investment properties and deferred income taxes.

The condensed consolidated interim financial statements dated March 31, 2021, have been prepared considering the impact that the spread of COVID-19 has and continues to have on local, national and worldwide economies. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Canadian and global stock markets have also experienced great volatility and significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. Killam has considered the negative economic outlook and cash flow difficulties that may be experienced as a result of this virus on its tenants, suppliers and lenders. The ultimate duration and impacts of the COVID-19 pandemic are not currently known. Killam has used the best information available as at March 31, 2021, in determining its estimates and the assumptions that affect the carrying amounts of assets and liabilities, and earnings for the period. Actual results could differ from those estimates. Killam considers the estimates that could be most significantly impacted by COVID-19 to include those underlying the valuation of investment properties and the estimated credit losses on accounts receivable.

Disclosure Controls, Procedures and Internal Controls

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

Related Party Transactions

Killam has construction management agreements with companies owned by a Trustee of Killam. The agreements include a market rate construction management fee of 2.5% and 1.5% development management fee on hard construction costs for the Shorefront development and a 4.0% construction management fee for the Harley Street development, totalling $30.8 thousand (March 31, 2020 - $0.1 million). These fees are to be paid over the construction period. Killam's Shorefront development was completed in October 2020 and 10 Harley was completed in March 2021. In addition, these companies supply direct construction services or contract arm's length services. For the three months ended March 31, 2021, these companies were paid $0.2 million (March 31, 2020 - $0.3 million).

Killam owns a 50% interest in two commercial properties located at 3700 & 3770 Kempt Road in Halifax, NS, the remaining 50% interest in these properties is owned by a company owned by an executive and Trustee of Killam. These properties are managed by an arm's length third party. Killam's head office occupies approximately 23,000 square feet of one of the buildings with base rent of approximately $13.00 per square foot, of which 50% is paid to the related party based on the ownership interest.

Subsequent Events

On April 15, 2021, Killam announced a distribution of $0.05667 per unit, payable on May 17, 2021, to unitholders of record on April 30, 2021.