



# 2021 ANNUAL REPORT

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# AT KILLAM

our definition of success includes the amount of good we do for our people, our community, and our planet. We are committed to earnings and portfolio growth, but we are also committed to providing our tenants with exceptional service, supporting and developing our team members, reducing our impact on the environment and making positive differences in each of our communities. When you invest in Killam, you are investing in a strong, innovative and sustainable real estate business committed to doing the right thing.

*Cover: The Alexander, 240 suites, Halifax, NS*

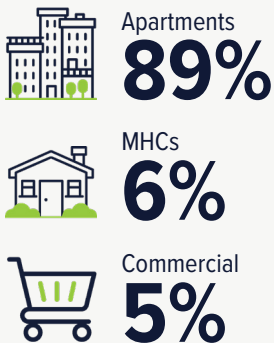
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# ABOUT KILLAM

## PROFILE

Killam Apartment REIT (Killam) is a growth-oriented real estate investment trust that owns, operates, manages and develops multi-family apartments, manufactured home communities (MHCs) and commercial properties. Killam's real estate portfolio is located in Atlantic Canada, Ontario, Alberta and British Columbia.

## NET OPERATING INCOME BY SEGMENT



## NET OPERATING INCOME BY PROVINCE

NS	ON	NB	AB	PE	NL	BC
37%	23%	20%	7%	6%	4%	3%

## MISSION

To have caring staff deliver clean, safe, quality housing to tenants who are proud to call our properties home.

## STRATEGY

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

- Increasing earnings from its existing portfolio;
- Expanding the portfolio and diversifying geographically through accretive acquisitions that target newer properties; and
- Developing high-quality properties in its core markets.



## CORE VALUES

Killam has a strong, vibrant culture supported by its five Core Values. The communication and connection amongst all Killam employees are the foundation of its strong culture.

## KILLAM'S FIVE CORE VALUES

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**Build  
Community**



**Creative  
Solutions**



**Do the  
Right Thing**



**Curb  
Appeal**



**Strong Customer  
Relationships**

# 2021

## HIGHLIGHTS

**7.0%**

Growth in FFO per Unit<sup>(1)</sup>

**5.1%**

Same Property NOI Growth<sup>(2)</sup>

**8.4%**

Growth in AFFO per Unit<sup>(1)</sup>

**\$399M**

Acquisitions Completed

**\$73M**

Invested in Developments

**45.0%**

Total Debt as a Percentage of Total Assets<sup>(3)</sup> as at Dec. 31, 2021

**40%**

Improvement in ESG Score<sup>(4)</sup>

**\$240M**

Fair Value Gains on Investment Properties

(1) FFO per unit and AFFO per unit are non-IFRS financial ratios. For a full description and reconciliation of non-IFRS measures, see pages 29 and 54, respectively.

(2) Same property NOI growth is a supplementary financial measure. For a full description of same property metrics, see page 29.

(3) Total debt as a percentage of total assets is a capital management measure. For a full description of total debt as a percentage of total assets see page 29.

(4) Improvement over its initial 2019 submission.



# PHILIP FRASER

President and CEO



## LETTER TO UNITHOLDERS

Dear Unitholder,

I am pleased to write this year's annual letter to unitholders to report on Killam's financial and operating highlights, and to comment on our priorities for 2022.

2021 was another year that required everyone at Killam to be ever vigilant in meeting COVID-19 protocols that changed frequently in most provinces, as well as with the seasons. I am extremely proud of how Killam's team navigated these changes with commitment and compassion. Our 750 employees were impressive as they built on their remote working experience from 2020 to manage and lease our portfolio of properties.

Despite the challenges surrounding the pandemic, our business was incredibly resilient. We saw strong Canada-wide demand for our apartment suites and maintained our pre-COVID residential rent collection rate of 99.5%.

Killam's financial and operating results for 2021 were very strong. We achieved 5.1% same property net operating income (NOI) growth<sup>(1)</sup>, and earned \$1.07 per unit FFO<sup>(2)</sup>, a 7% increase from \$1.00 per unit in 2020. In addition to achieving a 41% total return for unitholders, we were successful in meeting our strategic targets for the year.

We remain committed to maximizing Killam's value and long-term profitability by concentrating on three key areas of growth:

- 1) Increasing earnings from our existing portfolio.*
- 2) Expanding our portfolio and diversifying geographically through accretive acquisitions, which target new properties.*
- 3) Developing high-quality properties in our core market.*

We are seeing the positive results from this focus, with all three areas contributing to earnings growth in 2021.

### **Strong Growth from Our Asset Base**

Increasing earnings from our existing portfolio is key to our strategy. We invest in revenue-enhancing and expense-saving initiatives that deliver excellent returns on investment. Our suite renovation program is an important and growing initiative that meets the market's demand for modern suites. We have fine-tuned the process of repositioning suites over the past four years to optimize the upgrades and minimize the downtime for renovation work, providing residents with the best finishes based on appeal, functionality, and durability. We do this in a responsible way – we upgrade only those suites that are vacant and do not engage in any programs to influence suite turns through aggressive rent hikes or incentive offerings. In 2021, we repositioned 551 suites, representing approximately 12% of the suites turned and 3% of our total portfolio.

(1) Same property NOI growth is a supplementary financial measure. For a full description of same property metrics, see page 29.

(2) FFO per unit is a non-IFRS financial ratio. For a full description and reconciliation of non-IFRS measures, see pages 29 and 54, respectively.

## LETTER TO UNITHOLDERS (CONTINUED)

We have identified approximately 5,500 suites in our portfolio that are eligible for this repositioning program, and we look forward to repositioning several buildings we purchased in 2021.

### Record Year for Acquisitions

This was a record year on the acquisition front, as Killam added an additional 1,600 suites to our coast-to-coast portfolio. We completed \$399 million in acquisitions and further expanded our geographic diversification, with 78% of the capital deployed in Ontario and Alberta.

One of our most exciting acquisitions in 2021 was the purchase of a 785-suite portfolio in Kitchener and Waterloo, Ontario. Kitchener-Waterloo-Cambridge is one of Ontario's strongest rental markets, with a diverse and vibrant economy and a growing population. This acquisition significantly increased Killam's Ontario presence to 3,342 suites. Further, we have an additional 485 suites currently under development in the province. Combined, Killam's Ontario portfolio is expected to represent approximately 27% of Killam's net operating income in 2022, compared to 22.6% in 2020.

Atlantic Canada remains an important market for Killam; in 2021 it represented 16% of Killam's acquisitions, adding 200 apartment suites in the region. In addition, we increased our ownership in Royalty Crossing (formally, the Charlottetown Mall) by 25% to 75% for \$10 million and purchased 14 acres of adjacent land for multi-residential development for \$3.4 million. Overall, 6% of acquisition dollars were allocated to future residential development.

Killam generated 33% of its NOI outside Atlantic Canada in 2021, and we are on our way to exceeding our target of generating 40% of earnings outside Atlantic Canada by 2025. Our strong operating platform can support a larger portfolio, and expanding in Ontario and Western Canada provides access to more of Canada's larger rental markets.

### Increasing the Supply of Housing for Canadians

Development remains an important part of Killam's growth strategy, and one that distinguishes us from our peers. Killam completed two developments in 2021, The Harley, a 38-suite building located in Charlottetown, and Nolan Hill, a 233-suite property located in Calgary. We finished the year with six developments underway in Calgary, Mississauga, Ottawa, Kitchener and Halifax. We are excited to complete construction and lease up these new buildings to increase both funds from operations and net asset value growth. With a total budgeted investment of over \$245 million, representing 520 suites, these properties will bring meaningful growth to Killam's portfolio.

### Commitment to Sustainability

We are committed to being amongst the leaders in ESG initiatives for Canadian multi-residential REITs as we work to reduce Killam's environmental footprint. Our 2021 GRESB<sup>(1)</sup> results earned us a green, two-star designation and in the last two years we have increased our GRESB score by 40%. We are also proud to have earned an A-rating on the GRESB public disclosure survey, outperforming our GRESB and global comparison groups.

We piloted several different building certification programs this year, considering the benefits and challenges for each. These certifications include BOMA Best, FitWel and the Certified Rental Building Program, and help ensure our buildings have the best operating and healthy living standards for our residents. We will build on this work and continue to roll out certification programs in the coming year.

Our energy efficiency investments totaled \$8.2 million in 2021. This included solar photovoltaic (PV) installations, boiler and heat pump replacements, along with electricity and water conservation projects. We are proud that this investment also included geothermal heating and cooling installations at three of our development sites, helping to reduce Killam's impact on the environment.

(1) GRESB is a mission-driven and investor-led organization that provides actionable and transparent ESG data to financial markets.



### Commitment to Sustainability (continued)

In 2021, we started on our climate-change journey, reporting under the Task Force on Climate-Related Financial Disclosure framework. We have a commitment to increase our climate change initiatives and disclosure in the coming years.

### Innovation for a Greener Future

Killam believes the future of the multi-residential business is to build better buildings that are greener and more efficient, using geothermal heating, solar PV panels with battery storage capacity, and unit-level metered water. We learn more about our buildings as we embrace change and invest in new technologies across our existing portfolio. We then use this knowledge to improve our new developments, so they have smaller carbon footprints.

There is a steep learning curve involved in being innovative, but it's imperative for Killam to successfully transition to a net-zero economy. As first movers, we are learning about the complexity of the electric utilities in our markets, the future of heating and cooling systems, and how electric vehicle (EV) chargers will fit into the service offerings at our buildings. Today's challenges and green steps forward will help secure Killam's place as a leading multi-residential REIT for decades to come.

### Looking Forward to 2022

We are optimistic that the worst of the global pandemic is behind us and look forward to the opportunities ahead.

We continue to execute a balanced approach regarding Killam's rental strategy as we work to mitigate the inflationary pressures we expect to encounter this coming year. We remain committed to growing our existing portfolio as well as pursuing growth through acquisitions and development in our markets. We are confident this strategy will yield impressive earnings and NAV growth for many years to come.

In August 2021, the Board of Trustees approved a 2.9% increase in Killam's distribution to \$0.70 per unit, up from \$0.68 per unit. This marks the fifth annual distribution increase in a row and placed Killam in the S&P/TSX Canadian Dividend Aristocrats Index as of February 1, 2022. The inclusion in this index reflects the strength of our multi-residential real estate portfolio and our ability to provide an attractive distribution yield.

Killam's annual unitholders' meeting will be held on May 6, 2022, at 9:00 AM Atlantic Time at Courtyard By Marriott, 5120 Salter Street, Halifax, Nova Scotia. Thank you for your interest and investment in Killam.

Yours truly,



Philip Fraser  
President & CEO



# FINANCIAL AND OPERATING HIGHLIGHTS

(Value in thousands, except per unit amount and portfolio information)

As at and for the years ended	2021	2020	2019
<b>Operations</b>			
Property revenue	\$290,917	\$261,690	\$242,164
Net operating income (NOI)	\$183,235	\$163,854	\$152,336
Net income	\$285,527	\$146,040	\$283,525
Funds from operations (FFO) <sup>(1)</sup>	\$119,235	\$104,678	\$93,884
FFO per unit (diluted) <sup>(1)</sup>	\$1.07	\$1.00	\$0.98
Adjusted funds from operations (AFFO) <sup>(2)</sup>	\$100,438	\$86,816	\$76,768
AFFO per unit (diluted) <sup>(2)</sup>	\$0.90	\$0.83	\$0.80
Distributions declared per unit	\$0.69	\$0.68	\$0.66
AFFO payout ratio <sup>(2)</sup>	76%	82%	82%
<b>Financial Position</b>			
Total assets	\$4,578,507	\$3,776,560	\$3,380,100
Total liabilities	\$2,467,038	\$2,008,302	\$1,777,773
Total equity	\$2,111,469	\$1,768,258	\$1,602,367
Units outstanding <sup>(3)</sup>	114,562	107,314	102,017
Total debt as a percentage of total assets <sup>(4)</sup>	45.0%	44.6%	43.4%
Interest coverage ratio <sup>(5)</sup>	3.53x	3.36x	3.20x
Debt to normalized EBITDA <sup>(5)</sup>	11.33x	10.78x	10.15x
<b>Portfolio Information</b>			
Apartment suites	18,685	17,048	16,325
MHC sites	5,875	5,875	5,786
Commercial square footage	941,000	750,000	739,000
Average rent per apartment suite	\$1,227	\$1,184	\$1,126
Average rent per MHC site	\$263	\$260	\$261

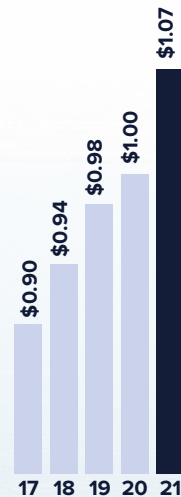
(1) FFO, and applicable per unit amounts, are calculated by Killam as net income adjusted for fair value gains (losses), interest expense related to exchangeable units, gains (losses) on disposition, deferred tax expense (recovery), unrealized gains (losses) on derivative liability, internal commercial leasing costs, depreciation on an owner-occupied building, interest expense related to lease liabilities, and non-controlling interest. FFO is calculated in accordance with the REALPAC definition. A reconciliation between net income and FFO is included on page 54.

(2) AFFO, and applicable per unit amounts and payout ratios, are calculated by Killam as FFO less an allowance for maintenance capital expenditures ("capex") (a three-year rolling historical average capital investment to maintain and sustain Killam's properties), commercial leasing costs and straight-line commercial rents. AFFO is calculated in accordance with the REALPAC definition. Management considers AFFO an earnings metric. A reconciliation from FFO to AFFO is included on page 56.

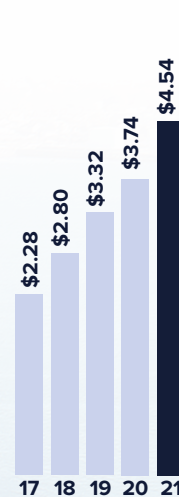
(3) Units outstanding at December 31, 2021 include 110,557,466 REIT units and 4,004,270 exchangeable units.

(4) Total debt as a percentage of total assets is a capital management measure. For a full description of total debt as a percentage of total assets see page 29.

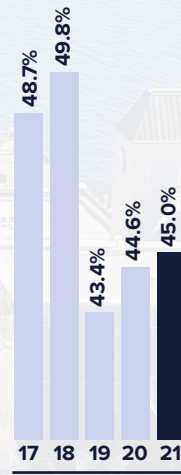
(5) Interest coverage ratio and debt to normalized EBITDA and are non-IFRS financial ratios. For a full description and reconciliation of non-IFRS measures, see pages 29 and 59, respectively.



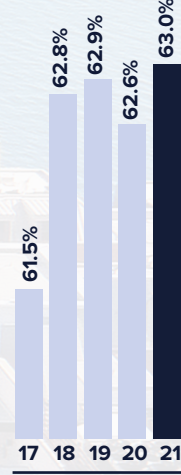
Funds from Operations per Unit (diluted)<sup>(1)</sup>



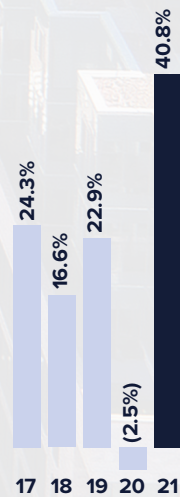
Value of Real Estate Portfolio (\$ billions)



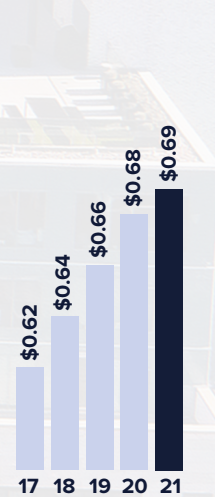
Total Debt as a Percentage of Total Assets<sup>(4)</sup>



Operating Margin (%)



Total Unitholder Return (%)



Distribution per Unit to Unitholder

# 2021/2022

## PERFORMANCE SUMMARY & STRATEGIC TARGETS



### Grow Same Property NOI<sup>(1)</sup>

2021 Target: **>2%**

2021 Performance: **Exceeded. 5.1%**

2022 Target: **2.0%-3.0%**



### Expand the Portfolio through Acquisitions

2021 Target: **Acquire a minimum of \$100M.**

2021 Performance: **Exceeded. Acquired \$399M.**

2022 Target: **Acquire a minimum of \$150M.**



### Diversify Geographically

2021 Target: **Earn >32% of 2021 NOI outside Atlantic Canada.**

2021 Performance: **Exceeded. 33% of 2021 NOI was from outside Atlantic Canada.**

2022 Target: **Earn >35% of 2022 NOI outside Atlantic Canada.**

<sup>(1)</sup> Same property NOI growth is a supplementary financial measure. For a full description of same property metrics, see page 29.



## Strengthen the Balance Sheet

2021 Target: **Maintain total debt as a % of total assets<sup>(2)</sup> ratio below 47%.**

2021 Performance: **Exceeded. 45.0% as of December 31, 2021.**

2022 Target: **Maintain total debt as a % of total assets ratio below 45%.**



## Develop High-Quality Properties

2021 Target: **Complete two developments and break ground on two additional developments.**

2021 Performance: **Completed a 38-suite development, 10 Harley, and broke ground at the 12-suite Governor. Two more developments totaling 336 suites will be completed in early 2022.**

2022 Target: **Complete four developments and break ground on two additional developments.**



## Improve Sustainability

2021 Target: **Invest a minimum of \$5M in energy initiatives.**

2021 Performance: **Exceeded. Invested \$8.2M.**

2022 Target: **Invest a minimum of \$8.0M in energy initiatives to reduce Killam's carbon footprint.**

(2) Total debt as a percentage of total assets is a capital management measure. For a full description of total debt as a percentage of total assets see page 29.

# GROWING EARNINGS THROUGH EXISTING PORTFOLIO

Increasing earnings from its existing portfolio is an important part of Killam's strategy to maximize long-term value for its unitholders. With population growth and demand out-pacing the housing supply in our core markets, Killam had a very successful year of high occupancy and optimizing rental rate growth on suite turns. Despite the ongoing COVID-19 pandemic, Killam's markets across the country maintained their positive momentum and assisted Killam to generate 4.0% revenue growth from its same property portfolio.

The increasing demand for apartments, the rebound of our seasonal manufactured home communities, and strong leasing in our commercial business combined with managed expense growth, resulted in 5.1% overall same property NOI growth<sup>(1)</sup> for 2021.

Killam's suite repositioning program continued to expand, upgrading 551 suites in 2021. The program is meeting the market demand for new, high-quality finishes across the portfolio. By fine-tuning the upgrade process, Killam provides its residents with the best finishes based on appeal, functionality and durability.

(1) Same property NOI growth is a supplementary financial measure. For a full description of same property metrics, see page 29.



**GRID 5, CALGARY**



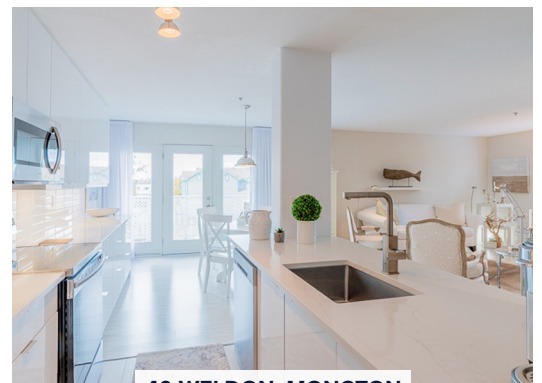
**180 MILL, LONDON**



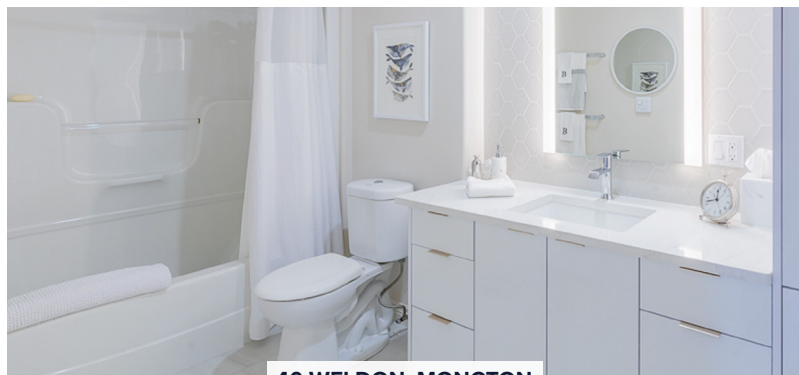
**ELROY, FREDERICTON**



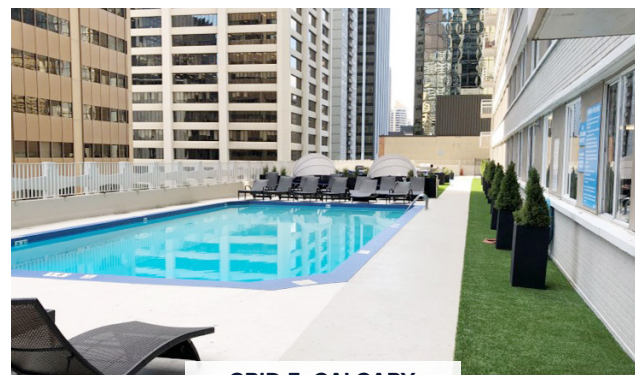
**40 WELDON, MONCTON**



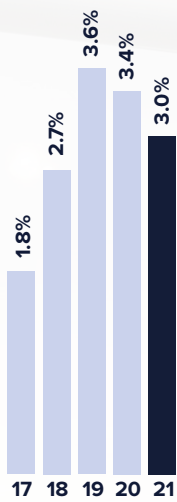
**40 WELDON, MONCTON**



**40 WELDON, MONCTON**



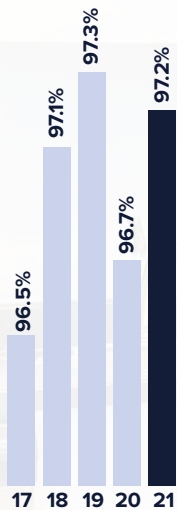
**GRID 5, CALGARY**



### Same Property Apartment Average Rental Rate Growth<sup>(1)</sup>

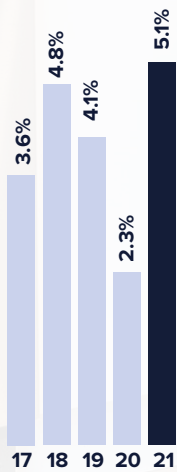
Killam produced healthy same property apartment property rental rate growth of 3.0%. Strong market fundamentals and Killam's revenue-enhancing programs continued to optimize top-line growth.

(1) Same property average rental rate growth is a supplementary financial measure. For a full description of same property metrics, see page 29.



### Same Property Apartment Occupancy

Killam's same property apartment portfolio recorded solid occupancy of 97.2% in 2021. Occupancy continues to be particularly strong in the Maritimes due to interprovincial migration, immigration and demographics.



### Same Property Net Operating Income Growth<sup>(2)</sup>

Same property NOI increased 5.1% in 2021 due to overall revenue growth of 4.0% and expense increase of only 2.1%. Killam achieved a 70 basis point improvement in its operating margin to 62.9%.

(2) Same property NOI growth is a supplementary financial measure. For a full description of same property metrics, see page 29.



## FORT HOWE, Saint John

Suite upgrades are an important part of Killam's value creation and growth strategy. Fort Howe is a 153-suite property in Saint John, New Brunswick that was built in 1970, and had dated finishes. By replacing the flooring and updating the kitchens and bathrooms, the product offering for this building has changed. In 2021, Killam realized an average rental increase of 32% per upgraded suite, representing a 14% return on an average \$24,000 per suite investment.

# GROWING EARNINGS THROUGH ACQUISITIONS

In 2021, Killam had a record year of acquisitions, purchasing \$399 million of assets. We added to our footprint in many of our markets, from Edmonton to St. John's. Our largest acquisition was in Kitchener-Waterloo, with a portfolio purchase of 785 suites for \$190.5 million.

**Killam continued to execute its geographic diversification strategy with more than 78% of acquisition equity deployed outside Atlantic Canada. During the year, 33% of Killam's NOI was generated from Ontario, Alberta and British Columbia, up from 32% in 2020.**



## Nolan Hill CALGARY

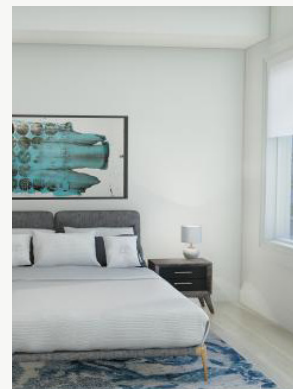
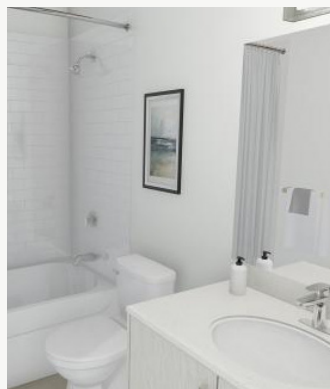
Killam expanded its Calgary portfolio with the purchase of the new Nolan Hill development. This property consists of a mix of one, two and three-bedroom suites, averaging 823 square feet. It was fully leased within six months of opening. Seventy-eight suites have rents at 70% of market rates, aiding in Killam's goal to increase its portfolio of affordable housing suites.



**Purchased: Q1-2021 | \$49.5M**



**233-Suite Property**







**Emma Place**  
MONCTON

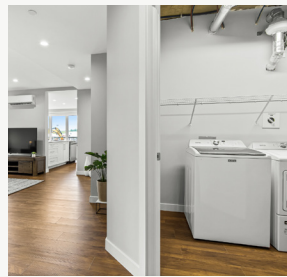
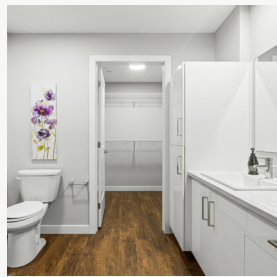
Killam acquired Emma Place, a new concrete building in Moncton, for \$31.8 million. This 118-suite property consists of large luxury one- and two-bedroom suites with many amenity offerings onsite and in the immediate neighborhood.



**Purchased: Q4-2021 | \$31.8M**



**118-Suite Property**



**Royalty Crossing**  
CHARLOTTETOWN

Killam was pleased to acquire an additional 25% interest in Royalty Crossing for \$10.1 million, increasing its ownership to 75%. This stabilized, grocery-anchored, enclosed mall is located on 32 acres in the heart of Prince Edward Island's busiest retail node, and adjacent to the University of PEI campus. Killam has taken over the management of the Crossing and will reposition the property to improve occupancy, decrease expenses and improve the carbon footprint.



**Purchased: Q2-2021 | \$10.1M<sup>(1)</sup>**  
*<sup>(1)</sup> Representing 25% ownership, increasing Killam's ownership interest to 75%.*



**383,000 Sq. Ft. Retail Property**



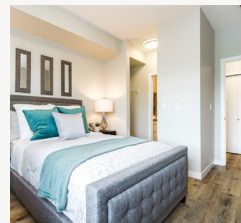
# GROWING EARNINGS THROUGH ACQUISITIONS



## Heartwood EDMONTON

The Heartwood is a newly constructed wood-frame building in Edmonton that Killam acquired for \$28.9 million in October 2021. The 123-suite property is close to Killam's existing assets and is ideally situated to serve the incoming medical professionals that will staff the new Edmonton hospital that is being built nearby.

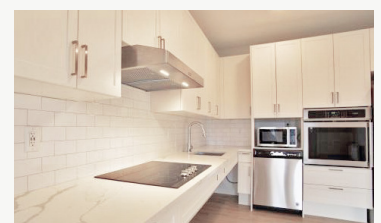
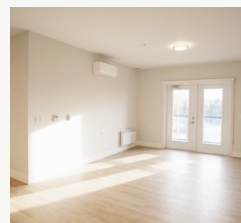
 **Purchased: Q4-2021 | \$28.9M**  **123-Suite Property**



## 140 Dale CHARLOTTETOWN



140 Dale includes 61 suites in a four-storey apartment building in Charlottetown. Purchased for \$15.3 million, 140 Dale contains 30 affordable suites with rents at 65% of market rates. With the Nolan Hill and 140 Dale acquisitions, Killam increased its affordable suite base by 14% (108 units) in 2021. Killam has a five-year Environmental, Social and Governance ("ESG") goal to increase its affordable housing suites by 20%, to 900 by 2025.

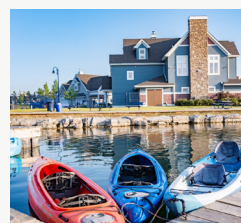
 **Purchased: Q4-2021 | \$15.3M**  **61-Suite Property**



## Nautical Suites EDMONTON

Killam acquired the Nautical Luxury Suites at Summerside in Edmonton for \$42.3 million. This 180-suite purchase expands Killam's presence in Edmonton to 882 suites. Nautical Suites has quality luxurious finishes, underground parking, state-of-the-art mechanical systems and exclusive beach access at the neighbouring lake.

 **Purchased: Q4-2021 | \$42.3M**  **180-Suite Property**



## Kitchener Waterloo Portfolio ONTARIO

Killam expanded its presence in the Kitchener-Waterloo-Cambridge market with the acquisition of a 785-suite portfolio. This \$190.5 million acquisition aligns with Killam's strategic goals of accretive growth and geographic diversification. The four properties are located in desirable neighborhoods of both Kitchener and Waterloo, and have been very well maintained. The properties have both indoor and outdoor amenity spaces and there are opportunities for modern upgrades and energy efficiencies, fitting well with our suite repositioning and energy efficiency programs.

 **Purchased:**  
**Q2-2021 | \$190.5M**



**Ridgeway & Somerset**  
KITCHENER

 **214-Suite Property**



**The Estates**  
KITCHENER

 **137-Suite Property**



**Heritage Place**  
KITCHENER

 **160-Suite Property**



**Northfield Gardens**  
WATERLOO

 **274-Suite Property**

# GROWING THROUGH DEVELOPMENT

Developing high-quality properties in our core markets is an important component of Killam's long-term growth strategy. Since starting its development program in 2010, Killam has completed over \$300 million in development projects, totaling more than 1,300 suites in 13 development projects. Killam continued to advance its development pipeline with the completion of 10 Harley, a 38-suite building in Charlottetown, in early 2021. This property, along with a 78-suite development completed in late 2020 and a 233-suite newly purchased development in January 2021, were all fully leased by mid-2021 and contributed to FFO growth during the year.



We ended the year with five active developments underway in Ottawa, Mississauga, Kitchener and Halifax. These developments will add an additional 497 suites to Killam's portfolio in the next 12 months. Killam has an experienced development team and a growing pipeline of approximately 3,800 suites across Canada that will continue to be a significant lever for Killam's earnings growth and value creation.

## Latitude OTTAWA

 **Completed: Q1-2022**  **209-Suite Property**  **Cost<sup>(1)</sup>: \$43.5M**  
<sup>(1)</sup> Killam has a 50% ownership interest.



*The five developments underway in 2021 will add an additional 497 high-quality suites to Killam's Ottawa, Mississauga, Kitchener-Waterloo and Halifax markets in the next twelve months.*

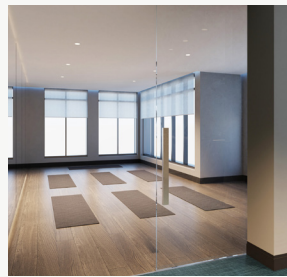


# The Kay MISSISSAUGA

✓ Completion:  
Q2-2022

128-Suite  
Property

Cost:  
\$57.0M

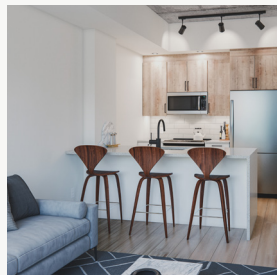


# Luma OTTAWA

✓ Completion:  
Q2-2022

168-Suite  
Property

Cost<sup>(1)</sup>:  
\$45.8M <sup>(1)</sup> Killam has a 50%  
ownership interest.



# GROWING THROUGH DEVELOPMENT



## The Governor HALIFAX

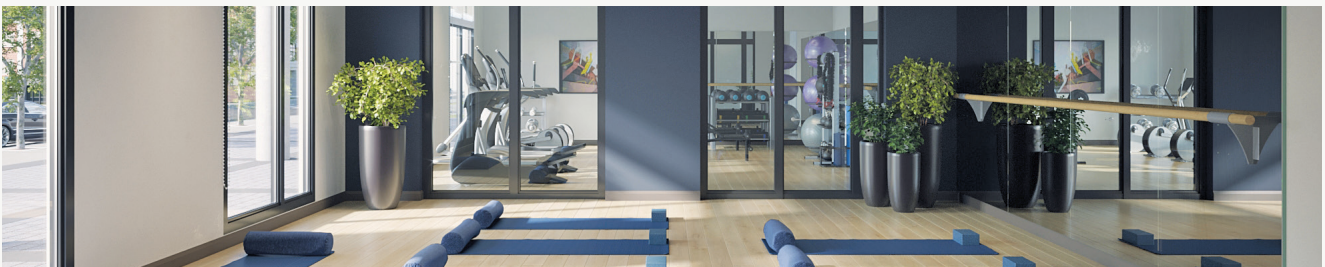
✓ Completion: Q3-2022    🏢 12-Suite Property    💰 Cost: \$22.8M





# Civic 66 KITCHENER

✓ Completion: Q1-2023    🏢 169-Suite Property    🏠 Cost: \$69.7M



# 2021 ENVIRONMENTAL, SOCIAL AND GOVERNANCE UPDATE

## From the Chair of the Governance & ESG Committee

Killam is committed to being a leader in ESG for Canadian multi-residential REITs. I am proud of Killam's dedication to reducing its environmental footprint, ensuring effective and ethical governance, and making investments to maintain sustainable economic growth.

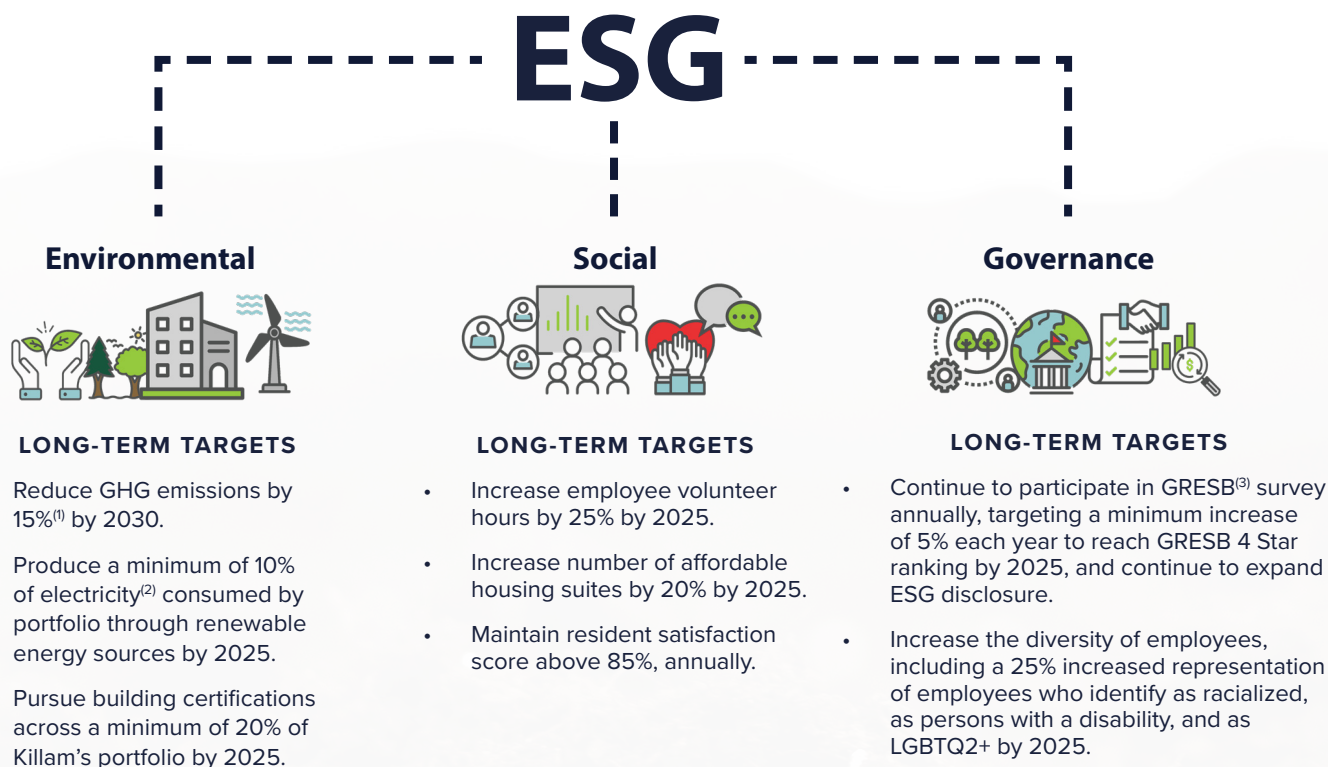
After setting five-year ESG goals in 2020, Killam made great progress in 2021 with all eight targets, from increasing its affordable housing base to its very high satisfaction rating among our residents. Killam incorporates ESG principles into its long-term business strategy and is seeking the best ways to transition into the future net zero economy.

We encourage you to read our most current ESG disclosure on our website at [esg.killamreit.com](http://esg.killamreit.com) and look forward to issuing Killam's 2021 ESG report in April 2022.

– Manfred Walt, Trustee and Chair, Killam's Governance & ESG Committee

## Killam's ESG Targets

In 2020, Killam committed to ambitious but realistic ESG targets to work towards in the next five years, and we made great progress in 2021. These goals aim to mitigate expense growth, lower our carbon footprint, maintain good corporate citizenship and create long-term value for its stakeholders.



(1) Scope 1 and 2 emissions from 2020 levels.

(2) Operational controlled electricity.

(3) GRESB is a mission-driven and investor-led organization that provides actionable and transparent ESG data to financial markets.



## Killam's 2021 ESG Progress

Killam made solid progress towards all its ESG targets in 2021.



**With the \$8.2 million invested in energy efficiency projects, including both solar photovoltaic and geothermal heating and cooling installations, Killam will reap the benefits of reduced energy consumption and reduced greenhouse gas emissions in the years to come.**

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

We are very proud of our employees and teams across the country. In 2021, Killam conducted its bi-annual diversity survey in partnership with the Canadian Centre of Diversity and Inclusion. This third-party partner assisted in benchmarking and analyzing our results. The survey results indicate notable increases in the representation of racialized and indigenous persons, persons with a disability as well as those who identify as LGBTQ2+. We continue to develop and foster a more diversified employee base across the company.



**Killam increased paid annual volunteer days from one to three days, with frequently communicated opportunities to encourage employees to volunteer in their communities.**

We recognize that housing affordability is a challenge in Canada and we want to do our part. With acquisitions in Calgary and Charlottetown this year, Killam increased its affordable housing suites by 14%, ending 2021 with approximately 850 affordable suites.

We are very pleased to report that despite the on-going challenges of the pandemic, Killam achieved a strong 86% resident satisfaction score<sup>(1)</sup> for 2021.

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

Finally, we reported our ESG information in alignment with the Sustainability Accounting Standards Board standards for the first time in Killam's 2021 ESG Report. We have also started on our climate-change journey, reporting under the Task Force on Climate-Related Financial Disclosure framework and with a commitment to increasing our climate change initiatives and disclosure in the coming years.

<sup>(1)</sup> Performed by Narrative Research, a third-party provider.

**Killam's ESG & Sustainability information can be found at [esg.killamreit.com](https://esg.killamreit.com)**



*This annual report may contain forward-looking statements with respect to Killam and its operations, strategy, financial performance and condition. These statements generally can be identified by use of forward-looking words such as "may", "will", "expect", "estimate", "anticipate", "intends", "believe" or "continue", "maintain", "target" or the negative thereof or similar variations. 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. The actual results and performance of Killam discussed herein could differ materially from those expressed or implied by such statements. For a discussion of such risks, uncertainties and other factors, see "Forward-Looking Statements" on page 28. The cautionary statements qualify all forward-looking statements attributable to Killam and persons acting on its behalf. All forward-looking statements in this annual report speak only as of the date to which this presentation refers, and Killam does not intend to update or revise any such statements, unless otherwise required by applicable securities laws.*

# 2021 Management's Discussion and Analysis

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

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# 2021 Management's Discussion and Analysis

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

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## PART I

### Business Overview

Killam Apartment REIT ("Killam", the "Trust", or the "REIT"), based in Halifax, Nova Scotia (NS), is one of Canada's largest multi-residential property owners, owning, operating, managing and developing a \$4.5 billion portfolio of apartments, manufactured home communities (MHCs) and commercial properties across seven provinces. Killam was founded in 2000 to create value through the consolidation of apartments in Atlantic Canada and MHCs across Canada. Killam entered the Ontario (ON) apartment market in 2010, the Alberta (AB) apartment market in 2014, and the British Columbia (BC) apartment market in 2020. Killam broke ground on its first development in 2010 and has completed thirteen projects to-date, with a further five projects currently under construction.

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

- 1) Increase earnings from the existing portfolio;
- 2) Expand the portfolio and diversify geographically through accretive acquisitions, targeting newer properties; and
- 3) Develop high-quality properties in its core markets.

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

In addition, Killam owns 5,875 sites in 39 MHCs, also known as land-lease communities or trailer parks, in Ontario and Atlantic Canada. Killam owns the land and infrastructure supporting these communities and leases sites to tenants who own their own homes and pay Killam site rent. The MHC portfolio accounted for 6.4% of Killam's NOI for the year ended December 31, 2021. Killam also owns 941,372 square feet (SF) of commercial space that accounted for 5.1% of Killam's NOI for the year ended December 31, 2021.

### Basis of Presentation

The following Management's Discussion and Analysis (MD&A) has been prepared by Management and focuses on key statistics from the annual consolidated financial statements, including the notes thereto, and pertains to known risks and uncertainties. This MD&A should be read in conjunction with the Trust's audited consolidated financial statements for the years ended December 31, 2021 and 2020, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These documents, along with Killam's 2020 Annual Information Form (AIF), are available on SEDAR at [www.sedar.com](http://www.sedar.com).

The discussions in this MD&A are based on information available as at February 16, 2022. This MD&A has been reviewed and approved by Management and the REIT's Board of Trustees.

### Declaration of Trust

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

#### Investment Guidelines

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

#### Operating Policies

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

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

# 2021 Management's Discussion and Analysis

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

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## Forward-Looking Statements

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

In some cases, forward-looking statements can be identified by the use of words such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "potential", "continue", "target", "committed", "priority", "remain", "strategy", or the negative of these terms or other comparable terminology, and by discussions of strategies that involve risks and uncertainties.

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

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

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

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

# 2021 Management's Discussion and Analysis

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

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## Non-IFRS Financial Measures

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

### Non-IFRS Financial Measures

- Funds from operations (FFO) is a non-IFRS financial measure of operating performance widely used by the Canadian real estate industry based on the definition set forth by REALPAC. FFO, and applicable per unit amounts, are calculated by Killam as net income adjusted for fair value gains (losses), interest expense related to exchangeable units, gains (losses) on disposition, deferred tax expense (recovery), unrealized gains (losses) on derivative liability, internal commercial leasing costs, depreciation on an owner-occupied building, interest expense related to lease liabilities, and non-controlling interest. FFO is calculated in accordance with the REALPAC definition. A reconciliation between net income and FFO is included on page 54.
- Adjusted funds from operations (AFFO) is a non-IFRS financial measure of operating performance widely used by the Canadian real estate industry based on the definition set forth by REALPAC. AFFO, and applicable per unit amounts and payout ratios, are calculated by Killam as FFO less an allowance for maintenance capital expenditures ("capex") (a three-year rolling historical average capital investment to maintain and sustain Killam's properties), commercial leasing costs and straight-line commercial rents. AFFO is calculated in accordance with the REALPAC definition. Management considers AFFO an earnings metric. A reconciliation from FFO to AFFO is included on page 56.
- Adjusted cash flow from operations (ACFO) is a non-IFRS financial measure of operating performance widely used by the Canadian real estate industry based on the definition set forth by REALPAC. ACFO is calculated by Killam as cash flow provided by operating activities with adjustments for changes in working capital that are not indicative of sustainable cash available for distribution, maintenance capital expenditures, commercial leasing costs, amortization of deferred financing costs, interest expense related to lease liabilities and non-controlling interest. Management considers ACFO a measure of sustainable cash flow. A reconciliation from cash provided by operating activities to ACFO is included on page 57. ACFO is calculated in accordance with the REALPAC definition.
- Adjusted earnings before interest, tax, depreciation and amortization ("adjusted EBITDA") is calculated by Killam as net income before fair value adjustments, gains (losses) on disposition, income taxes, interest, depreciation and amortization. A reconciliation is included on page 59.
- Normalized adjusted EBITDA is calculated by Killam as adjusted EBITDA that has been normalized for a full year of stabilized earnings from recently completed acquisitions and developments, on a forward-looking basis. A reconciliation is included on page 59.
- Net debt is a non-IFRS measure used by Management in the computation of debt to normalized adjusted EBITDA. Net debt is calculated as the sum of mortgages and loans payable, credit facilities and construction loans (total debt) reduced by the cash balances at the end of the period. The most directly comparable IFRS measure to net debt is debt.

### Non-IFRS Ratios

- Interest coverage is calculated by dividing adjusted EBITDA by mortgage, loan and construction loan interest and interest on credit facilities. The calculation is included on page 59.
- Debt service coverage is calculated by dividing adjusted EBITDA by mortgage loan and construction loan interest, interest on credit facilities and principal mortgage repayments. The calculation is included on page 59.
- Per unit calculations are calculated using the applicable non-IFRS financial measures noted above, i.e. FFO, AFFO and/or ACFO, divided by the basic or diluted number of units outstanding at the end of the relevant period.
- Payout ratios are calculated using the distribution rate for the period divided by the applicable per unit amount, i.e. AFFO and/or ACFO.
- Debt to normalized adjusted EBITDA is calculated by dividing net debt by normalized adjusted EBITDA. The calculation is included on page 59.

### Supplementary Financial Measure

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

### Capital Management Financial Measure

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

# 2021 Management's Discussion and Analysis

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

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## PART II

### Key Performance Indicators

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

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

# 2021 Management's Discussion and Analysis

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

## Financial and Operational Highlights

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

For the years ended December 31,	2021	2020	Change <sup>(1)</sup>
<b>Operating Performance</b>			
Property revenue	\$290,917	\$261,690	11.2%
Net operating income	\$183,235	\$163,854	11.8%
Net income	\$285,527	\$146,040	95.5%
FFO <sup>(2)</sup>	\$119,235	\$104,678	13.9%
FFO per unit – diluted <sup>(2)</sup>	\$1.07	\$1.00	7.0%
AFFO <sup>(1)</sup>	\$100,438	\$86,816	15.7%
AFFO per unit – diluted <sup>(2)</sup>	\$0.90	\$0.83	8.4%
Weighted average number of units outstanding – diluted (000s)	111,626	104,503	6.8%
Distributions paid per unit <sup>(3)</sup>	\$0.69	\$0.68	1.5%
AFFO payout ratio – diluted <sup>(2)</sup>	76%	82%	(600) bps
<b>Portfolio Performance</b>			
Same property NOI <sup>(2)</sup>	\$165,112	\$157,035	5.1%
Same property NOI margin <sup>(2)</sup>	62.9%	62.2%	70 bps
Same property apartment occupancy	97.2%	96.7%	50 bps
Same property apartment weighted average rental increase <sup>(4)</sup>	3.0%	3.4%	(40) bps
<b>As at December 31,</b>			
<b>Leverage Ratios and Metrics</b>			
Total Debt as a Percentage of Total assets	45.0%	44.6%	40 bps
Weighted average mortgage interest rate	2.58%	2.69%	(11) bps
Weighted average years to debt maturity	4.0	4.6	(0.6) years
Debt to normalized EBITDA <sup>(2)</sup>	11.33x	10.78x	55 bps
Debt service coverage <sup>(2)</sup>	1.53x	1.57x	(4) bps
Interest coverage <sup>(2)</sup>	3.53x	3.36x	17 bps

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

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

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

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

# 2021 Management's Discussion and Analysis

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

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## Summary of 2021 Results and Operations

### **Largest Acquisition Year in Killam's History**

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

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

FFO per unit was \$1.07 in 2021, a 7.0% increase from \$1.00 in 2020, and AFFO per unit increased 8.4% to \$0.90, compared to \$0.83 in 2020. The growth in FFO and AFFO were primarily attributable to increased NOI from strong same property performance and incremental contributions from recent acquisitions and completed developments. This growth was partially offset by a 6.8% increase in the weighted average number of units outstanding.

### **Revenue Gains Drive Same Property NOI Growth of 5.1%**

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

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

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

### **Invested in Substantial Development Activity**

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

### **Lower Interest Rates Contributed to Earnings Growth**

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

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

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



# 2021 Management's Discussion and Analysis

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

## Strategic Targets

Growth in Same Property NOI	
2021 Target	Same property NOI growth over 2.0%.
2021 Performance	Killam exceeded its target, achieving 5.1% same property NOI growth in 2021.
2022 Target	Same property NOI growth averaging 2.0% – 3.0%.
Longer-Term Target	Same property NOI growth averaging 2.0% – 4.0%.
Expanded Portfolio	
2021 Target	Complete a minimum of \$100 million in acquisitions.
2021 Performance	Killam exceeded its target, completing \$399.4 million in acquisitions during 2021.
2022 Target	Complete a minimum of \$150 million in acquisitions.
Longer-Term Target	Grow the portfolio to over \$6.0 billion by the end of 2025.
Geographic Diversification	
2021 Target	Earn at least 32% of 2021 NOI outside Atlantic Canada.
2021 Performance	Killam exceeded its target, generating 33% of 2021 NOI outside Atlantic Canada.
2022 Target	Earn at least 35% of 2022 NOI outside Atlantic Canada.
Longer-Term Target	Earn at least 40% of NOI outside Atlantic Canada by 2025.
Development of High-Quality Properties	
2021 Target	To complete the construction of two buildings totalling 166 units, and break ground on two additional developments totalling a minimum of 150 units.
2021 Performance	The 38-unit development, 10 Harley, reached substantial completion in March 2021, and the Governor broke ground at the beginning of 2021. The 128-unit development, The Kay, originally expected to be completed in Q4-2021, is now expected to be completed in April 2022.
2022 Target	To complete construction of four buildings and break ground on two additional developments in 2022.
Longer-Term Target	To complete a minimum of \$350 million in developments between 2022 and 2025.
Strengthened Balance Sheet	
2021 Target	Maintain debt as a percentage of total assets ratio below 47%.
2021 Performance	Killam achieved its target, as debt as a percentage of total assets was 45.0% as at December 31, 2021.
2022 Target	Maintain debt as a percentage of total assets ratio below 45%.
Longer-Term Target	Reduce debt as a percentage of total assets below 40% by the end of 2025.
Sustainability	
2021 Target	Minimum investment of \$5.0 million in energy initiatives in 2021, to reduce Killam's carbon footprint and increase sustainability.
2021 Performance	Killam exceeded its target, investing \$8.2 million in energy-efficiency initiatives.
2022 Target	Minimum investment of \$8.0 million in energy initiatives in 2022.
Longer-Term Target	Reduce Killam's GHG emissions by 15% by 2030, and produce a minimum of 10% of the portfolio's electricity through renewable sources by 2025.

# 2021 Management's Discussion and Analysis

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

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## Outlook

### **Demand for Apartments Remains Strong**

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

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

### **Acquisition Capacity of Over \$400 Million**

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

### **\$169 Million of Developments Expected to be Completed in 2022**

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

### **Continued Expansion of Unit Repositioning Program**

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

### **Investments in Energy-Efficiency Programs to Reduce CO<sub>2</sub> Emissions and Mitigate Rising Operating Costs**

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

### **Rising Interest Rates**

Killam has \$162.1 million of mortgages maturing in 2022, with an average interest rate of 2.81%. Interest rates are forecasted to rise in 2022; however, Management has diversified Killam's mortgages to avoid dependence on any one lending institution and has staggered maturity dates to mitigate interest rate risk. Killam's mortgage maturity schedule is included on page 60. Killam is also focused on reducing its debt levels with a longer-term target of maintaining debt to total assets less than 40% by the end of 2025.

### **Increasing Risk of Inflation, Higher Commodity Pricing and Increasing Property Taxes**

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

### **Positive Same Property NOI Expected**

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

# 2021 Management's Discussion and Analysis

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

## PART III

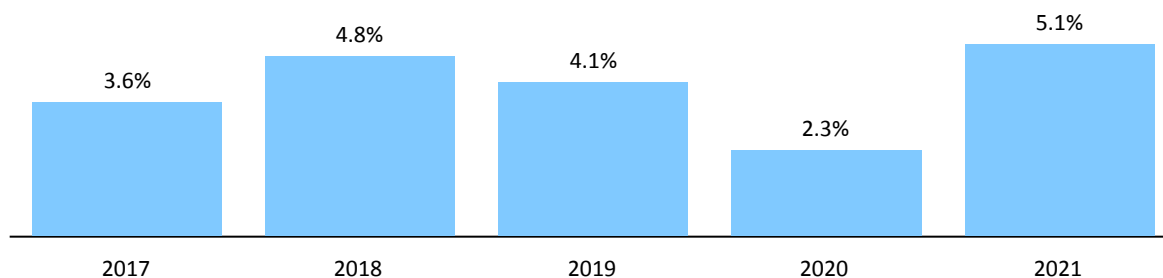
### Business Strategy

#### Increase Earnings From the Existing Portfolio

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

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

#### Historic Same Property NOI Growth

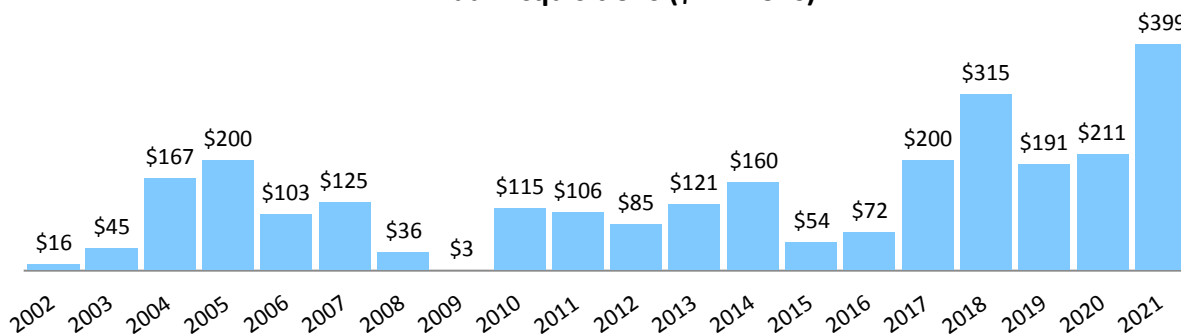


#### Expand the Portfolio through Acquisitions

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

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

#### Annual Acquisitions (\$ millions)



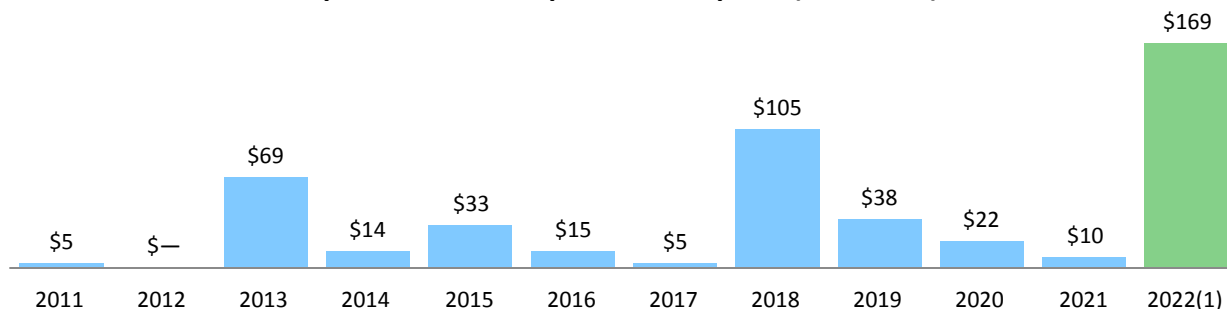
# 2021 Management's Discussion and Analysis

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

## Develop High-Quality Properties in Core Markets

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

### Apartment Developments Complete (\$ millions)

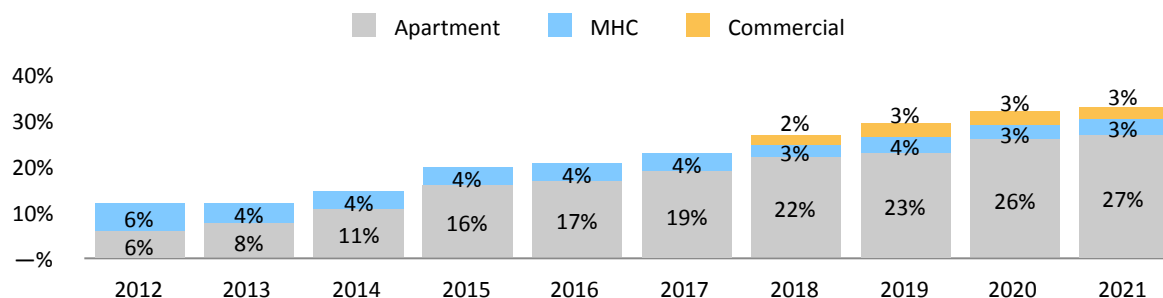


(1) Developments expected to be completed in 2022.

## Diversify Geographically Through Accretive Acquisitions

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

### % of Killam's NOI Generated Outside Atlantic Canada



# 2021 Management's Discussion and Analysis

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

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## Committed to ESG

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

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

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

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

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

## Sustainability Policy

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

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

## Killam's 2021 ESG Progress

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

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

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

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

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

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

# 2021 Management's Discussion and Analysis

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

## Portfolio Summary

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

Apartment Portfolio				
	Units <sup>(1)</sup>	Number of Properties	NOI (\$) <sup>(2)</sup>	NOI <sup>(2)</sup> (% of Total)
<b>Nova Scotia</b>				
Halifax	5,816	65	\$59,047	32.2%
Sydney	139	2	\$1,281	0.7%
	5,955	67	\$60,328	32.9%
<b>New Brunswick</b>				
Moncton	2,246	39	\$16,002	8.8%
Fredericton	1,529	23	\$12,204	6.7%
Saint John	1,202	14	\$7,059	3.9%
Miramichi	96	1	\$672	0.4%
	5,073	77	\$35,937	19.8%
<b>Ontario</b>				
Ottawa	1,216	9	\$10,435	5.7%
London	523	5	\$5,493	3.0%
Kitchener-Waterloo-Cambridge-GTA	1,603	10	\$15,170	8.3%
	3,342	24	\$31,098	17.0%
<b>Newfoundland &amp; Labrador</b>				
St. John's	955	13	\$6,967	3.8%
Grand Falls	148	2	\$781	0.3%
	1,103	15	\$7,748	4.1%
<b>Prince Edward Island</b>				
Charlottetown	1,163	24	\$8,286	4.5%
Summerside	86	2	\$591	0.3%
	1,249	26	\$8,877	4.8%
<b>Alberta</b>				
Calgary	764	4	\$6,438	3.6%
Edmonton	882	6	\$6,683	3.6%
	1,646	10	\$13,121	7.2%
<b>British Columbia</b>				
Victoria	317	2	\$4,947	2.7%
<b>Total Apartments</b>	<b>18,685</b>	<b>221</b>	<b>\$162,056</b>	<b>88.5%</b>
Manufactured Home Community Portfolio				
	Sites	Number of Communities	NOI (\$) <sup>(2)</sup>	NOI <sup>(2)</sup> (% of Total)
<b>Nova Scotia</b>				
	2,749	17	\$4,964	2.7%
<b>Ontario</b>				
	2,284	17	\$5,964	3.3%
<b>New Brunswick <sup>(3)</sup></b>				
	672	3	\$424	0.2%
<b>Newfoundland &amp; Labrador</b>				
	170	2	\$402	0.2%
<b>Total MHCs</b>	<b>5,875</b>	<b>39</b>	<b>\$11,754</b>	<b>6.4%</b>
Commercial Portfolio <sup>(4)</sup>				
	Square Footage <sup>(5)</sup>	Number of Properties	NOI (\$) <sup>(2)</sup>	NOI <sup>(2)</sup> (% of Total)
<b>Prince Edward Island <sup>(5)</sup></b>				
	383,222	1	\$2,266	1.2%
<b>Ontario</b>				
	306,106	1	\$4,755	2.6%
<b>Nova Scotia <sup>(6)</sup></b>				
	218,829	5	\$1,963	1.1%
<b>New Brunswick</b>				
	33,215	1	\$441	0.2%
<b>Total Commercial</b>	<b>941,372</b>	<b>8</b>	<b>\$9,425</b>	<b>5.1%</b>
<b>Total Portfolio</b>		<b>268</b>	<b>\$183,235</b>	<b>100.0%</b>

(1) Unit count includes the total unit count of properties held through Killam's joint arrangements. Killam has a 50% ownership interest in two apartment properties in Ontario, representing a proportionate ownership of 484 units of the 968 units in these properties. Killam manages the operations of all the co-owned apartment properties.

(2) For the year ended December 31, 2021.

(3) Two of Killam's New Brunswick MHC communities have seasonal operations, which typically commence in mid-May and run through the end of October.

(4) Killam also has 181,117 square feet of ancillary commercial space in various residential properties across the portfolio, which is included in apartment results.

(5) Square footage represents 100% of the commercial property located in PEI. In Q2-2021, Killam acquired an additional 25% interest, increasing its ownership percentage to 75%. Killam also took over property management of the asset.

(6) Square footage includes Killam's 50% ownership interest in two office properties, that are third-party managed.

# 2021 Management's Discussion and Analysis

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

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## Unique Portfolio Features

### Atlantic Canada's Market Leader

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

### Diversified Exposure to Rent Control

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

#### Prince Edward Island

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

#### Nova Scotia

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

#### Ontario

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

#### British Columbia

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

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

### CMHC-Insured Debt Available for Killam's Apartment Portfolio

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

### A Focus on Affordable Housing

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

### Focused on Customer Service

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

### Geographic Diversification

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

# 2021 Management's Discussion and Analysis

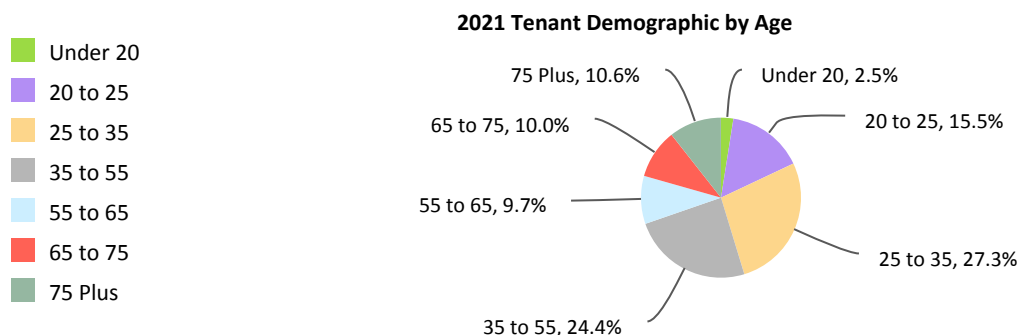
Dollar amounts in thousands of Canadian dollars (except as noted)

## Mark-to-Market Rent Opportunity

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

## Diverse Tenant Demographics Contribute to Stable Occupancy

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



## Core Market Update

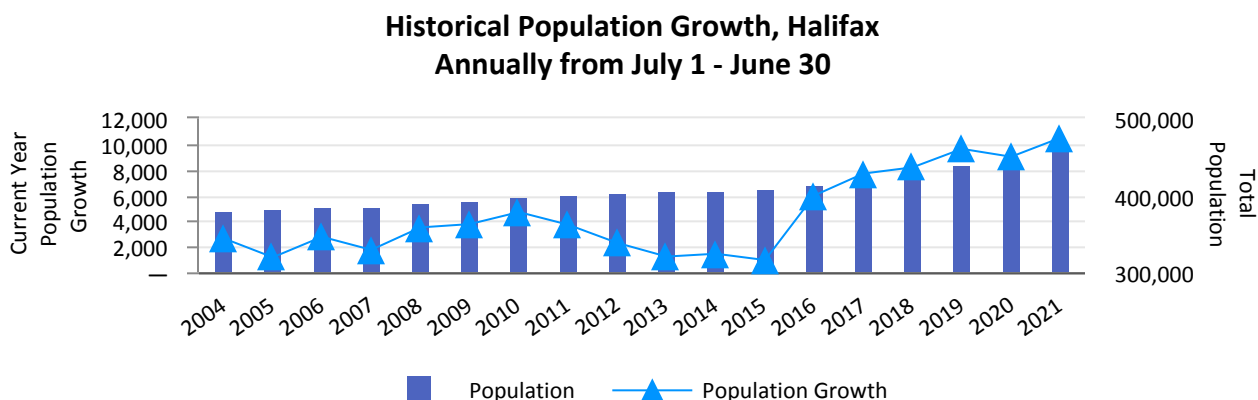
### Halifax

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

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

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

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



Source: Statistics Canada



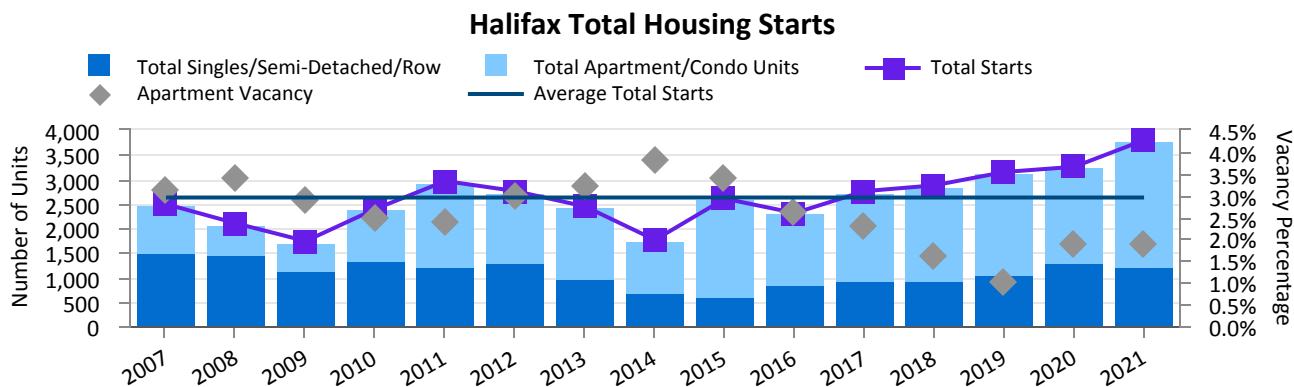
# 2021 Management's Discussion and Analysis

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

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

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

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



Source: CMHC

## New Brunswick

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

## St. John's, Newfoundland

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

## Prince Edward Island

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

## Ontario

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

## Alberta

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

# 2021 Management's Discussion and Analysis

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

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

## British Columbia

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

## PART IV

### 2021 Financial Overview

#### Consolidated Results

For the years ended December 31,

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

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

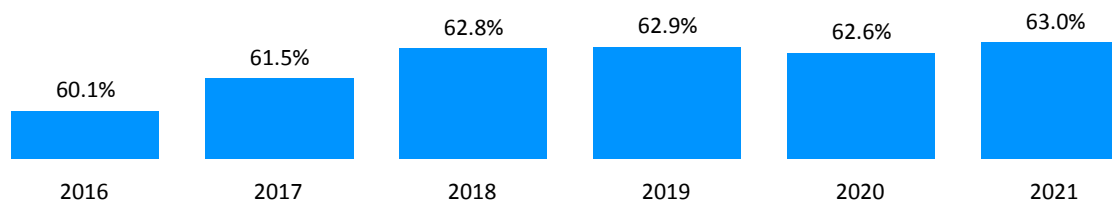
Killam achieved strong overall portfolio performance for the year ended December 31, 2021. This strength, along with contributions from acquisitions and developments, resulted in 11.8% NOI growth for the year.

Same property results include properties owned during comparable 2021 and 2020 periods and represent 85.0% of the fair value of Killam's investment property portfolio as at December 31, 2021. Non-same property results include acquisitions, dispositions and developments completed in 2020 and 2021 and commercial assets acquired for future residential development.

Same property revenue grew by 4.0% for the year ended December 31, 2021, as compared to the same period of 2020. This growth was driven by a 50 bps increase in apartment occupancy, rental rate growth, increased seasonal operations at Killam's resort communities and growth in commercial revenues.

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

### Operating Margin % (Total Portfolio)



# 2021 Management's Discussion and Analysis

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

## Apartment Results

For the years ended December 31,

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

## Apartment Revenue

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

# 2021 Management's Discussion and Analysis

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

## Apartment Occupancy Analysis by Core Market (% of Residential Rent) <sup>(1)</sup>

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

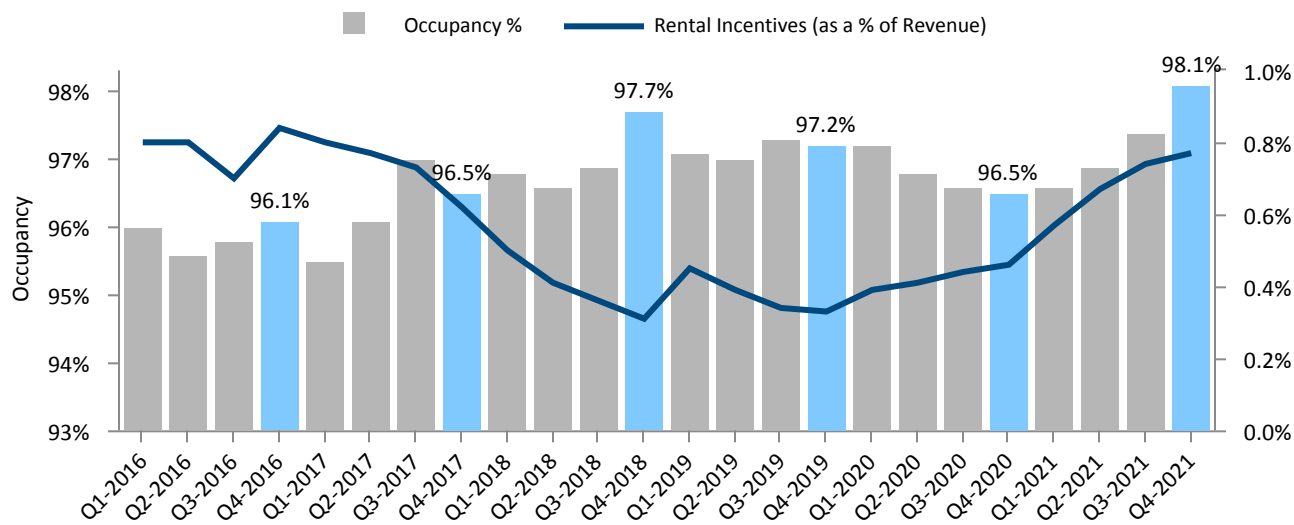
(1) Occupancy as a percentage of residential rent is calculated as vacancy (in dollars) divided by gross potential residential rent (in dollars) for the period.

(2) Total occupancy for Moncton was impacted by Emma Place, a recently acquired 118-unit property, which was undergoing initial lease-up upon acquisition in Q4-2021.

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

(4) Total occupancy for Calgary was impacted by the lease-up of Nolan Hill, a 233-unit property acquired in January 2021.

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



# 2021 Management's Discussion and Analysis

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

## Average Rent Analysis by Core Market

As at December 31,

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

## Same Property Rental Increases – Tenant Renewals Versus Unit Turns

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

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

For the years ended December 31,

	2021		2020	
	Rental Increases	Turnovers & Renewals <sup>(1)</sup>	Rental Increases	Turnovers & Renewals <sup>(1)</sup>
Lease renewal	1.5%	74.1%	1.7%	71.2%
Unit turn – regular	5.0%	22.4%	5.7%	26.3%
Unit turn – repositioned <sup>(2)</sup>	29.2%	3.5%	27.3%	2.5%
Rental increase (weighted avg)	3.0%		3.4%	

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

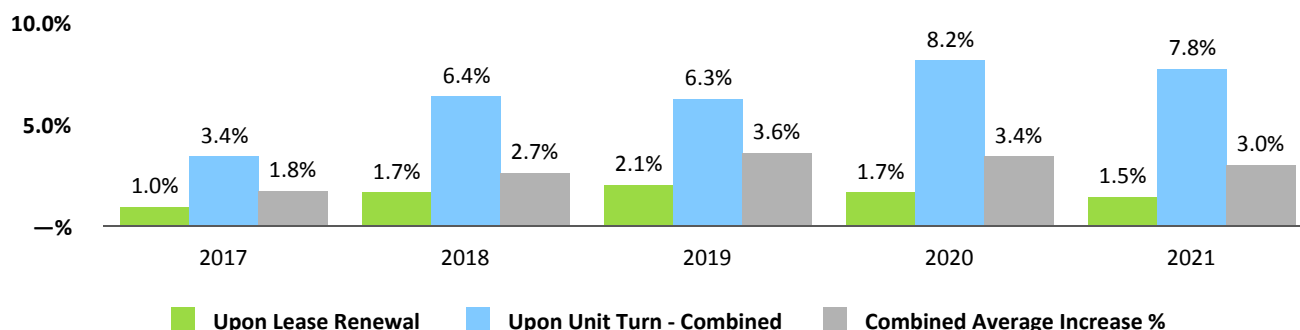
(2) The weighted average rental lift on the repositioned units is based on the 626 units re-leased during the year ended December 31, 2021.

# 2021 Management's Discussion and Analysis

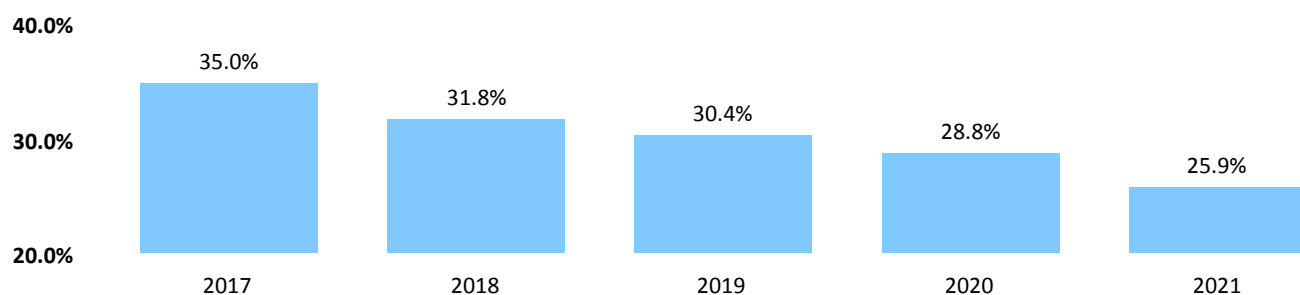
Dollar amounts in thousands of Canadian dollars (except as noted)

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

## Apartments - Historical Same Property Rental Rate Growth



## Percentage of Units Turned Annually



## Apartment Expenses

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

Total apartment same property operating expenses for the year ended December 31, 2021, were 2.6% higher than 2020. The increase was primarily due to inflationary cost pressures, higher contract service costs and insurance premiums, and property tax expense increases of 1.8%, over 2020. These increases were partially offset by decreased utility costs of 0.1%. Utility savings were attributable to a reduction of unit electricity being included in monthly rent, lower natural gas rates in New Brunswick, reduced consumption from energy-efficiency initiatives and a mild winter.

### Property Operating Expenses

Property operating expenses for the apartment portfolio include repairs and maintenance, contract services, insurance, property management and property management wages and benefits, uncollectible accounts, marketing, advertising and leasing costs. The increase in same property general operating costs of 4.8% for the year ended December 31, 2021, was largely due to higher insurance premiums, increased contract service costs and higher repairs and maintenance costs as a result of relatively lower maintenance work inside units in Q2 and Q3-2020 due to COVID-19 restrictions.

# 2021 Management's Discussion and Analysis

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

## Same Property Utility and Fuel Expenses

For the years ended December 31,

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

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

Utility and fuel expenses accounted for approximately 24% of Killam's total apartment same property operating expenses for the year ended December 31, 2021 and decreased 0.1% year-over-year.

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

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

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

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

## Property Taxes

Same property tax expense for the year ended December 31, 2021, was \$27.8 million, a 1.8% increase from the same period of 2020. Killam experienced property tax increases across the majority of its markets; however, these were offset by a number of successful property tax appeals across the portfolio. Killam actively reviews its property tax assessments and appeals tax assessment increases wherever possible to minimize this impact.

# 2021 Management's Discussion and Analysis

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

## Apartment Same Property NOI by Region

For the years ended December 31,

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



# 2021 Management's Discussion and Analysis

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

## MHC Results

For the years ended December 31,

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

The MHC business segment generated 6.4% of Killam's NOI for the year ended December 31, 2021. The MHC portfolio generates its highest revenues and NOI during the second and third quarters of each year due to the contribution from its nine seasonal resorts that earn approximately 60% of their annual NOI between July and September. Overall, the MHC portfolio generated same property NOI growth of 9.3% for the year ended December 31, 2021. This growth is mainly attributable to increased seasonal revenue, as the majority of the seasonal resorts were able to open on time and at capacity in 2021.

For the years ended December 31,

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

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

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

# 2021 Management's Discussion and Analysis

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

## Commercial Results

For the years ended December 31,

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

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

Killam's commercial property portfolio contributed \$9.4 million, or 5.1%, of Killam's total NOI for the year ended December 31, 2021. The increase in NOI during the year ended December 31, 2021, relates to an increase in occupancy, as well as a reduction in bad debt expense and tenant abatements provided in conjunction with the federal government's Canada Emergency Commercial Rental Assistance program in the second and third quarters of 2020, which assisted tenants impacted by COVID-19. Commercial same property results represent approximately 82% of Killam's commercial square footage. Same property results do not include properties that were recently acquired or those that are slated for redevelopment and are not operating as stabilized properties.

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

# 2021 Management's Discussion and Analysis

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

## PART V

### Other Income and Expenses and Net Income

#### Net Income and Comprehensive Income

For the years ended December 31,

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

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

#### Financing Costs

For the years ended December 31,

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

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

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

Capitalized interest increased \$0.4 million for the year ended December 31, 2021, compared to the same period of 2020. Capitalized interest will vary depending on the number of development projects underway and their stages in the development cycle. Interest costs associated with development projects are capitalized to the respective development property until substantial completion.

# 2021 Management's Discussion and Analysis

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

## Administration Expenses

For the years ended December 31,

	2021	2020	% Change
Administration	\$15,988	\$13,936	14.7%
As a percentage of total revenues	5.5%	5.3%	20 bps

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

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

## Fair Value Adjustments

For the years ended December 31,

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

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

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

Distributions paid on exchangeable units are consistent with distributions paid to Killam's unitholders. The exchangeable units are redeemable on a one-for-one basis into trust units at the option of the holder. The fair value of the exchangeable units is based on the trading price of Killam's trust units. For the year ended December 31, 2021, there was an unrealized loss of \$26.1 million, compared to an unrealized gain of \$7.7 million in the same period of 2020, due to changes in the market price of Killam's trust units.

# 2021 Management's Discussion and Analysis

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

## Deferred Tax Expense

For the years ended December 31,

	2021	2020	% Change
	<b>\$42,393</b>	\$9,590	342.1%

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

Killam's deferred tax expense increased \$32.8 million for the year ended December 31, 2021, compared to the same period of 2020, primarily due to an increase in fair value gains on investment properties year-over-year.

## PART VI

### Per Unit Calculations

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

For the years ended December 31,	Weighted Average Number of Units (000s)			Outstanding Number of Units (000s) as at December 31, 2021
	2021	2020	% Change	
Trust units	<b>107,435</b>	100,225	7.2%	<b>110,557</b>
Exchangeable units	<b>4,030</b>	4,115	(2.1)%	<b>4,004</b>
Basic number of units	<b>111,465</b>	104,340	6.8%	<b>114,561</b>
Plus:				
Units under RTU plan <sup>(1)</sup>	<b>161</b>	163	(1.2)%	—
Diluted number of units	<b>111,626</b>	104,503	6.8%	—

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

# 2021 Management's Discussion and Analysis

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

## Funds from Operations

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

For the years ended December 31,

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

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

## Adjusted Funds from Operations

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

Details of Killam's total actual capital expenditures by category are included in the Capital Improvements section on page 66, and Killam's sources of funding are disclosed in the Liquidity and Capital Resources section on page 58 of this MD&A.

### Calculating Maintenance Capex Reserve for AFFO

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

# 2021 Management's Discussion and Analysis

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

## Maintenance Capex Reserve – Apartments

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

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

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

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

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

## Maintenance Capex Reserve – MHCs and Commercial

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

# 2021 Management's Discussion and Analysis

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

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

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

For the years ended December 31,

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

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

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

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



# 2021 Management's Discussion and Analysis

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

## Adjusted Cash Flow from Operations

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

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

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

For the years ended December 31,

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

(1) Includes distributions on trust units, exchangeable units and restricted trust units, as summarized on page 69.

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

Killam's ACFO payout ratio is 74% for the year ended December 31, 2021. Similar to the AFFO payout ratio, Killam's first quarter typically has the highest ACFO payout ratio due to the lower operating margin in the period attributable to higher heating costs in the winter months, and the fact the MHC portfolio typically generates its highest revenues and NOI during the second and third quarters of the year.

## Cash Provided by Operating Activities and Distributions Declared

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

For the years ended December 31,

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

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

# 2021 Management's Discussion and Analysis

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

## PART VII

### Liquidity and Capital Resources

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

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

- (i) Cash flows from operating activities are expected to be sufficient to fund the current level of distributions and maintenance capex.
- (ii) On February 4, 2022, Killam closed its public offering of trust units for gross proceeds of \$98.1 million. These proceeds were used to repay the outstanding balance on Killam's credit facilities. Killam currently has total capacity of approximately \$200.0 million of capital under its credit facilities and cash on hand and acquisition capacity of over \$400.0 million.
- (iii) Mortgage refinancings and construction loans are expected to be sufficient to fund value-enhancing capex, principal repayments and developments. Killam has \$162.1 million of mortgage debt scheduled for refinancing in 2022, expected to lead to upfinancing opportunities of approximately \$50.0 million.
- (iv) Upcoming mortgage maturities are expected to be renewed through Killam's mortgage program. Killam's mortgage program has remained stable since COVID-19, with renewals proceeding as scheduled.
- (v) Unencumbered assets of approximately \$40.0 million, for which debt could be placed.

Killam is in compliance with all financial covenants contained in the DOT and through its credit facilities. Under the DOT, total indebtedness of Killam is limited to 70% of gross book value determined as the greater of (i) the value of Killam's assets as shown on the most recent consolidated statement of financial position, and (ii) the historical cost of Killam's assets. Total debt as a percentage of assets as at December 31, 2021, was 45.0%.

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

The table below outlines Killam's key debt metrics:

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

(1) Ratio calculated net of cash.

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

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

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

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

# 2021 Management's Discussion and Analysis

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

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

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

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

## Normalized Adjusted EBITDA

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

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

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

## Interest and Debt Service Coverage

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

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

## Mortgages and Other Loans

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

## Refinancings

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

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

# 2021 Management's Discussion and Analysis

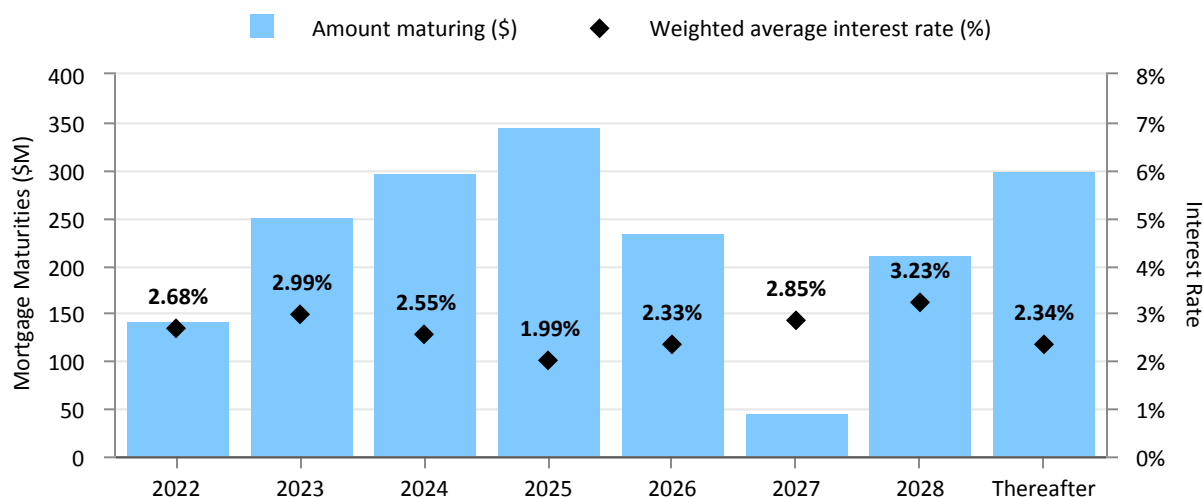
Dollar amounts in thousands of Canadian dollars (except as noted)

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

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

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

Apartment Mortgage Maturities by Year



Access to mortgage debt is essential in refinancing maturing debt and financing acquisitions. Management has diversified Killam's mortgages to avoid dependence on any one lending institution and has staggered maturity dates to manage interest rate risk. Management anticipates continued access to mortgage debt for both acquisitions and refinancings. Access to CMHC-insured financing gives apartment owners an advantage over other asset classes, as lenders are provided a government guarantee and, therefore, are able to lend at more favourable rates. As at December 31, 2021, approximately 75.0% of Killam's apartment mortgages were CMHC-insured (70.5% of total mortgages, as MHC and commercial mortgages are not eligible for CMHC insurance) (December 31, 2020 - 85.2% and 79.9%). The weighted average interest rate on the CMHC-insured mortgages was 2.54% as at December 31, 2021 (December 31, 2020 - 2.60%).

The following tables present the NOI for properties that are available to Killam to refinance at debt maturity in 2022 and 2023:

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

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

# 2021 Management's Discussion and Analysis

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

## Future Contractual Debt Obligations

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

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

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

(2) Killam's \$155.0 million credit facility was amended and extended on December 15, 2021.

## Construction Loans

As at December 31, 2021, Killam had access to five variable rate non-revolving demand construction loans, for the purpose of financing development projects, totalling \$179.1 million. As at December 31, 2021, \$77.6 million was drawn on the construction loans (December 31, 2020 - \$41.3 million). Payments are made monthly on an interest-only basis. The weighted-average contractual interest rate on amounts outstanding at December 31, 2021, was 2.01% (December 31, 2020 - 2.37%). Once construction is complete and rental targets achieved, construction financing is expected to be replaced with permanent mortgage financing.

## Credit Facilities

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

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

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

As at December 31, 2021	Maximum Loan Amount <sup>(1)</sup>	Amount Drawn	Letters of Credit	Amount Available
\$155.0 million facility	\$175,000	\$54,500	\$—	\$120,500
\$15.0 million facility	15,000	7,230	1,745	6,025
<b>Total</b>	<b>\$190,000</b>	<b>\$61,730</b>	<b>\$1,745</b>	<b>\$126,525</b>

As at December 31, 2020	Maximum Loan Amount <sup>(1)</sup>	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
<b>Total</b>	<b>\$140,000</b>	<b>\$7,029</b>	<b>\$1,773</b>	<b>\$131,198</b>

<sup>(1)</sup> Maximum loan includes a \$20.0 million accordion option, for which collateral is pledged.

# 2021 Management's Discussion and Analysis

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

## Investment Properties

As at December 31,

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

## Continuity of Investment Properties

As at December 31,

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

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

Killam reviewed its valuation of investment properties in light of COVID-19 as at December 31, 2021, assessing the impact on cap-rates, rental rate growth and occupancy assumptions. It is not possible to forecast with certainty the duration and full scope of the economic impact of COVID-19 and other consequential changes on Killam's business and operations, both in the short term and in the long term. The increase in fair value gains on Killam's apartment portfolio recorded during the quarter is supported by cap-rate compression and robust NOI growth driven by strong apartment fundamentals.

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

For the years ended December 31,

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

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

## Fair Value Sensitivity

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

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

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

# 2021 Management's Discussion and Analysis

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 <sup>(1)</sup>
Nolan Hill <sup>(2)</sup>	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 <sup>(3)</sup>	Halifax, NS	29-Jan-21	100%	Development Land	—	3,000
54 Assomption Blvd	Moncton, NB	01-Feb-21	100%	Apartment	23	5,600
Southport	Stratford, PE	01-Feb-21	100%	Development Land	—	3,800
5735 College Street	Halifax, NS	07-May-21	100%	Development Land	—	1,300
Royalty Crossing <sup>(4)</sup>	Charlottetown, PE	01-Jun-21	25%	Commercial	95,750	10,100
38 Pasadena Crescent	St. John's, NL	08-Jun-21	100%	Apartment	40	4,200
KWC Portfolio <sup>(5)</sup>	Kitchener/Waterloo, ON	30-Jun-21	100%	Apartment	785	190,500
131 Queensway Drive <sup>(6)</sup>	Moncton, NB	15-Sept-21	100%	MHC Land	—	385
140 Dale Drive	Stratford, PE	06-Oct-21	100%	Apartment	61	15,300
Emma Place	Moncton, NB	18-Oct-21	100%	Apartment	118	31,800
Heritage Valley	Edmonton, AB	28-Oct-21	100%	Apartment	123	28,900
160 Dale Drive <sup>(3)</sup>	Stratford, PE	29-Oct-21	100%	Development Land	—	1,500
Nautical Suites	Edmonton, AB	9-Nov-21	100%	Apartment	180	42,300
1350 Hollis Street	Halifax, NS	1-Dec-21	100%	Apartment	3	1,300
155 Kedgwick Drive	Moncton, NB	20-Dec-21	100%	Apartment	31	6,500
<b>Total Acquisitions</b>						<b>\$399,385</b>

(1) Purchase price does not include transaction costs.

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

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

(4) Killam acquired an additional 25% interest in Royalty Crossing for \$10.1 million, increasing its ownership to 75%. Royalty Crossing is a stabilized, grocery-anchored, enclosed mall, located on 32 acres in PEI's busiest retail node and adjacent to the University of PEI campus. Killam's former joint venture partner, RioCan REIT, sold their 50% interest to Killam and a local PEI real estate operator. The local presence will bring a regional leasing perspective, further development expertise and community-level involvement to revitalize the centre. Killam has taken over the management of the mall and has identified opportunities to reduce the property's operating expenses and carbon footprint in the near future. The total square footage of the commercial property is 383,222.

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

(6) Killam acquired a parcel of land adjacent to its Camper City seasonal resort.

## Investment Properties Under Construction

As at December 31,

	2021	2020	% Change
<b>Balance, beginning of year</b>	<b>\$128,100</b>	\$46,867	173.3%
Fair value adjustment	11,097	10,184	9.0%
Capital expenditures	73,005	76,050	(4.0)%
Interest capitalized	2,239	1,686	32.8%
Acquisitions	—	3,968	(100.0)%
Transfer to investment properties	(17,254)	(22,117)	(22.0)%
Transfer from land for development	4,132	11,462	(64.0)%
<b>Balance, end of year</b>	<b>\$201,319</b>	\$128,100	57.2%

# 2021 Management's Discussion and Analysis

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

## Land for Development

As at December 31,

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

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

Killam's development projects currently underway as at December 31, 2021, include the following five projects:

Property	Location	Ownership	Number of Units <sup>(1)</sup>	Project Budget (millions)	Start Date	Estimated Completion	Anticipated All-Cash Yield
Latitude	Ottawa, ON	50%	104	\$43.5	2019	January 2022	4.40%–4.60%
The Kay	Mississauga, ON	100%	128	\$57.0	2019	April 2022	4.50%–4.75%
Luma	Ottawa, ON	50%	84	\$45.8	2019	Q2-2022	4.00%–4.25%
Governor	Halifax, NS	100%	12	\$22.8	2021	Q3-2022	4.25%–4.75%
Civic 66	Kitchener, ON	100%	169	\$69.7	2020	Q1-2023	4.75%–5.00%
Total <sup>(2)(3)</sup>			497	\$238.8			

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

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

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

### Latitude

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

### The Kay

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

### Luma

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

### Governor

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

### Civic 66

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



# 2021 Management's Discussion and Analysis

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

## Future Development Pipeline

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

Property	Location	Killam's Interest	Development Potential (# of Units) <sup>(1)</sup>	Status	Estimated Year of Completion
<u>Developments expected to start in 2022</u>					
Westmount Place Phase 1	Waterloo, ON	100%	139	Final planning approval pending	2024
Eventide & Aurora	Halifax, NS	100%	120	Final planning approval pending	2024
<u>Developments expected to start in 2023-2027</u>					
Stratford land	Charlottetown, PE	100%	100	In design	2025
Sherwood Crossing	Charlottetown, PE	100%	325	In design	2025
Medical Arts	Halifax, NS	100%	200	Concept design	2025
Westmount Place Phase 2	Waterloo, ON	100%	150	In design	2026
Hollis Street	Halifax, NS	100%	100	Concept design	2026
Gloucester City Centre Phase 3	Ottawa, ON	50%	200	Concept design	2026
Nolan Hill Phase 3 <sup>(2)</sup>	Calgary, AB	10%	200	In design	2026
<u>Additional future development projects</u>					
Nolan Hill Phase 4 <sup>(2)</sup>	Calgary, AB	10%	200	Future development	TBD
Christie Point	Victoria, BC	100%	312	Development agreement in place	TBD
Gloucester City Centre (Phase 4-5)	Ottawa, ON	50%	400	Future development	TBD
Westmount Place (Phase 3-5)	Waterloo, ON	100%	800	Future development	TBD
Kanata Lakes	Ottawa, ON	50%	80	Future development	TBD
St. George Street	Moncton, NB	100%	60	Future development	TBD
15 Haviland	Charlottetown, PE	100%	60-90	Future development	TBD
Topsail Road	St. John's, NL	100%	225	Future development	TBD
Block 4	St. John's, NL	100%	80	Future development	TBD
<b>Total Development Opportunities</b>			<b>3,766</b>		

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

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

# 2021 Management's Discussion and Analysis

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

## Capital Improvements

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

During the year ended December 31, 2021, Killam invested \$78.9 million of capital in its existing portfolio, compared to \$65.7 million for the year ended December 31, 2020. This increase year-over-year reflects a catch-up on construction delays from 2020 as a result of COVID-19, coupled with Killam's growing asset base, as well as the timing of larger multi-phase capital projects, increased investment in energy initiatives and Killam's repositioning program.

For the year ended December 31,

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

## Apartment Portfolio

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

For the year ended December 31,

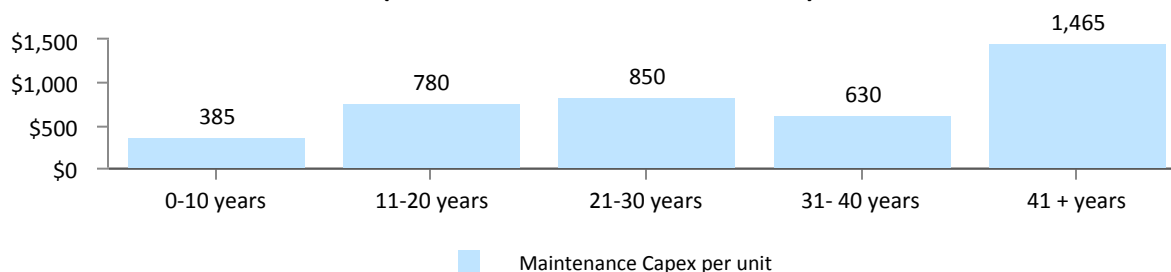
	2021	2020	% Change
Building improvements	\$27,899	\$23,290	19.8%
Unit renovations	27,784	23,971	15.9%
Appliances	4,482	2,995	49.6%
Energy	8,165	4,801	70.1%
Common area	2,381	2,904	(18.0)%
Total capital invested	<b>\$70,711</b>	<b>\$57,961</b>	<b>22.0%</b>
Average number of units outstanding <sup>(1)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

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

Killam invested \$4,072 per unit for the year ended December 31, 2021, compared to \$3,576 per unit for the same period of 2020. The increase relates to the continued expansion of Killam's unit repositioning program and work on larger capital projects focused on increasing the resiliency of its buildings. Killam's focus on development and acquisition of newer properties translates into a lower maintenance capex per unit than many other apartment owners in Canada. Thirty-seven percent of Killam's apartments, as a percentage of 2021 forecasted NOI, were built in the past 10 years, and the average age of Killam's portfolio is 29 years. This portfolio of newer assets allows Killam to focus on value-enhancing opportunities, as the maintenance capital requirements are lower.

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

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

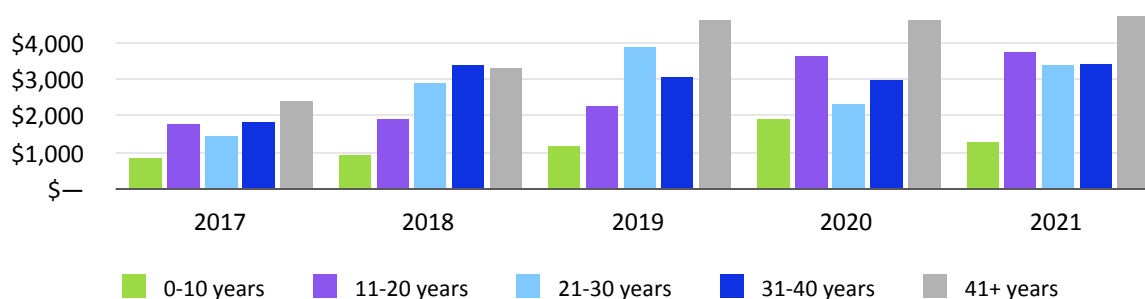


# 2021 Management's Discussion and Analysis

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

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

Average Capital Spend per Unit by Building Age



## Building Improvements

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

## Unit Renovations and Repositionings

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

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

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

## Energy

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

# 2021 Management's Discussion and Analysis

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

## MHC Portfolio

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

For the year ended December 31,

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

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

Total capital invested during the year ended December 31, 2021, was \$5.4 million, compared to \$4.4 million for the year ended December 31, 2020. The increase in capital investment relates to various community enhancements, land improvements and water and sewer upgrades. As with the apartment portfolio, the timing of MHC capital investment changes based on requirements at each community.

## Commercial Portfolio

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

# 2021 Management's Discussion and Analysis

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

## Unitholders' Equity

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

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

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

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

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

### Distribution Reinvestment Plan and Net Distributions Paid

For the years ended December 31,

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

# 2021 Management's Discussion and Analysis

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

## PART VIII

### Quarterly Results & Discussion of Q4 Operations

#### Summary of Quarterly Results

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

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

#### Q4 Consolidated Results

For the three months ended December 31,

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

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

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

# 2021 Management's Discussion and Analysis

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

## Q4 Same Property NOI

For the three months ended December 31,

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

## Apartment Same Property

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

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

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

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

## Q4-2021 Occupancy

### Apartment Occupancy Analysis by Core Market (% of Residential Rent) <sup>(1)</sup>

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

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

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

# 2021 Management's Discussion and Analysis

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

## Apartment Same Property NOI by Region

Three months ended December 31,

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



# 2021 Management's Discussion and Analysis

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

## MHC Results

For the three months ended December 31,

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

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

## Commercial Results

For the three months ended December 31,

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

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

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

# 2021 Management's Discussion and Analysis

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

## Q4 FFO

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

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

## Q4 AFFO

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

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

# 2021 Management's Discussion and Analysis

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

## PART IX

### Selected Consolidated Financial Information

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

### Risk Management

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

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

Killam is exposed to other risks, as outlined below:

#### Pandemic Risk and Economic Downturn

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

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

#### Interest Rate Risk

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

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

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## **Inflation Risk**

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

## **Liquidity Risk**

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

## **Credit Risk**

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

## **Cyber Security Risk**

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

## **Increased Supply Risk**

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

## **Development Risk**

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

## **Environmental Risk**

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

## **General Uninsured Losses**

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

## **Rent Control Risk**

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

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

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

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

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

## **Utility, Energy and Property Tax Risk**

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

## **Fluctuation and Availability of Cash Distributions**

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

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

## **Ability of Unitholders to Redeem Units**

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

## **Exchangeable Units**

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

## **Taxation-Related Risks**

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

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

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

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

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

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

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

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

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

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

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

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

## **Other Canadian Tax Matters**

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

## **Competition for Real Property Investments**

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

## **Future Acquisitions of Real Property Investments**

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

## **Zoning and Approval**

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

## **Dependence on Key Personnel**

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

## **Market for Securities and Price Volatility**

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

## **Co-ownership**

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

## **Ground Leases**

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

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## **Climate Change and Environmental Laws**

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

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

## **ESG Targets and Commitments**

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

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

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

## **Legal Rights Normally Associated with the Ownership of Shares of a Corporation**

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

## **Critical Accounting Policies and Significant Accounting Judgments, Estimates and Assumptions**

### **Critical Judgments in Applying Accounting Policies**

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

#### **(i) Income taxes**

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

#### **(ii) Investment property and internal capital program**

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



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

## (iii) Financial instruments

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

## (iv) Basis of consolidation

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

## (v) Revenue recognition

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

## Key Accounting Estimates and Assumptions

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

### (i) Valuation of investment properties

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

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

### (ii) Deferred unit-based compensation

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

### (iii) Deferred taxes

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

## Future Accounting Policy Changes

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

### Amendments to IAS 1, Presentation of Financial Statements, Amendments to Classification of Liabilities as Current or Non-Current

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

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

# 2021 Management's Discussion and Analysis

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

## Disclosure Controls, Procedures and Internal Controls

Management, including the Chief Executive Officer and the Chief Financial Officer, does not expect that Killam's disclosure controls and procedures and internal controls will prevent or detect all error and all fraud. Because of the inherent limitations in all control systems, an evaluation of controls can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within Killam have been detected.

### Disclosure Controls and Procedures

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

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

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

### Internal Controls over Financial Reporting

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

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

## Related Party Transactions

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

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

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

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

## Subsequent Events

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

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

## Management's Responsibility for Financial Statements

The accompanying consolidated financial statements and management's discussion and analysis (MD&A) have been prepared by the management of Killam Apartment REIT in accordance with International Financial Reporting Standards, and include amounts based on management's informed judgements and estimates. Management is responsible for the integrity and objectivity of these consolidated financial statements. The financial information presented in the MD&A is consistent with that in the consolidated financial statements in all material respects.

To assist management in the discharge of these responsibilities, management has established the necessary internal controls designed to ensure that our financial records are reliable for preparing financial statements and other financial information, transactions are properly authorized and recorded, and assets are safeguarded.

As at December 31, 2021, our Chief Executive Officer and Chief Financial Officer evaluated, or caused an evaluation under their direct supervision of, the design and operation of our internal controls over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) and, based on that assessment, determined that our internal controls over financial reporting were appropriately designed and operating effectively.

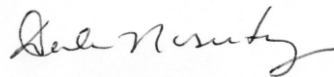
Ernst & Young LLP, the auditors appointed by the Unitholders, have examined the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the Unitholders their opinion on the consolidated financial statements. Their report as auditors is set forth below.

The consolidated financial statements have been further reviewed and approved by the Board of Trustees and its Audit Committee. This committee meets regularly with management and the auditors, who have full and free access to the Audit Committee.

February 16, 2022



Philip Fraser  
*President and Chief Executive Officer*



Dale Noseworthy  
*Chief Financial Officer*

# Independent auditor's report

To the Unitholders of  
**Killam Apartment Real Estate Investment Trust**

## Opinion

We have audited the consolidated financial statements of **Killam Apartment Real Estate Investment Trust** and its subsidiaries [the "Group"], which comprise the consolidated statements of financial position as at December 31, 2021 and 2020 and the consolidated statements of income and comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRSs"].

## Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. The matter was addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on the matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to the matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
<i>Valuation of investment properties</i>	
The REIT's investment property portfolio is comprised primarily of multi-residential apartments, manufactured home communities and commercial income-producing properties and properties under construction with a fair value of \$4.5B which represents 99% of total assets at December 31, 2021. The valuation methodology for these	With the assistance of our real estate valuation specialists, we evaluated the appropriateness of the underlying valuation methodology, and performed the following audit procedures, among others: <ul style="list-style-type: none"><li>• We assessed the competence and objectivity of management's valuation team, and any third-</li></ul>



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Key audit matter	How our audit addressed the key audit matter
<p>investment properties is primarily based on an income approach using the direct capitalization method and the discounted cash flow method.</p> <p>Note 2[g] of the consolidated financial statements describes the accounting policy for investment properties. Note 5 describes the valuation method and valuation inputs and discloses the sensitivity of the fair value of investment properties to a change in capitalization rates and stabilized net operating income.</p> <p>The valuation of the REIT's investment property portfolio is a key audit matter given the inherently subjective nature of significant assumptions including capitalization rates, discount rates, terminal capitalization rates, stabilized net operating income, and anticipated cash flow assumptions relating to occupancy and rental rates. These assumptions are influenced by property-specific characteristics including location, type and quality of the properties and tenancy agreements. For properties under development, depending on the complexity and stage of completion, costs to complete as well as leasing and construction risk are additional significant assumptions that impact the final valuation.</p>	<p>party appraisers engaged by the REIT, by reviewing the qualifications and expertise of the individuals involved in the preparation and review of the valuations and assessed the suitability of the valuation methodology utilized.</p> <ul style="list-style-type: none"> <li>• We selected a sample of properties, including those properties where either the fair value change or lack of change from prior year or significant assumptions fell outside our expectations, based on our understanding of the geographical real estate market for the specific asset type. For this sample of investment properties, we evaluated the significant assumptions by comparison to relevant transactions, the expected real estate market benchmark range for similar assets and tenancies, in similar locations, and the actual and budgeted financial performance of the underlying properties.</li> <li>• We also considered whether there were any additional asset-specific characteristics that may impact the significant assumptions utilized and that these were appropriately considered in the overall assessment of fair value.</li> <li>• For properties under construction, in addition to the procedures performed above, for a sample of properties, we compared construction budgets to actual expenditures and evaluated estimated costs to complete by comparing to contractual arrangements or reference to third party data, as applicable. We also evaluated whether the capitalization rate used to value properties under construction considered the complexity of the development and stage of completion. We compared land held for development fair values to available comparable market transactions.</li> <li>• We evaluated the REIT's critical accounting policies and related disclosures in the consolidated financial statements to assess appropriateness and conformity with IFRS.</li> </ul>

### Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report



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Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

### **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Steven Nelson.

Halifax, Canada  
February 16, 2022

*Ernst & Young LLP*

Chartered Professional Accountants



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# Consolidated Statements of Financial Position

In thousands of Canadian dollars,

	Note	December 31, 2021	December 31, 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	[5]	\$4,540,877	\$3,741,918
Property and equipment	[7]	7,931	8,349
Other non-current assets	[8]	4,375	—
		<b>\$4,553,183</b>	<b>\$3,750,267</b>
<b>Current assets</b>			
Cash		\$435	\$2,556
Rent and other receivables	[9]	7,768	6,561
Other current assets	[8]	17,121	17,176
		<b>25,324</b>	<b>26,293</b>
<b>TOTAL ASSETS</b>		<b>\$4,578,507</b>	<b>\$3,776,560</b>
<b>EQUITY AND LIABILITIES</b>			
Unitholders' equity	[16]	\$2,111,327	\$1,768,129
Non-controlling interest		142	129
<b>Total Equity</b>		<b>\$2,111,469</b>	<b>\$1,768,258</b>
<b>Non-current liabilities</b>			
Mortgages and loans payable	[10]	\$1,678,391	\$1,430,344
Lease liabilities	[11]	9,604	9,573
Exchangeable Units	[15]	94,461	70,177
Deferred income tax	[22]	227,004	184,611
Deferred unit-based compensation	[18]	6,376	4,784
Other non-current liabilities		20	188
		<b>\$2,015,856</b>	<b>\$1,699,677</b>
<b>Current liabilities</b>			
Mortgages and loans payable	[10]	\$236,943	\$201,345
Credit facilities	[12]	61,730	7,029
Construction loans	[13]	77,596	41,345
Accounts payable and accrued liabilities	[14]	74,913	58,906
		<b>451,182</b>	<b>308,625</b>
<b>Total Liabilities</b>		<b>\$2,467,038</b>	<b>\$2,008,302</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>\$4,578,507</b>	<b>\$3,776,560</b>
<b>Commitments and contingencies</b>	[27]		
<b>Financial guarantees</b>	[28]		

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board of Trustees



Trustee



Trustee



# Consolidated Statements of Income and Comprehensive Income

*In thousands of Canadian dollars,*

		Year ended December 31,	
	Note	2021	2020
<b>Property revenue</b>	[19]	<b>\$290,917</b>	\$261,690
<b>Property operating expenses</b>			
Operating expenses		(47,482)	(42,418)
Utility and fuel expenses		(24,683)	(23,240)
Property taxes		(35,517)	(32,178)
		<b>(107,682)</b>	(97,836)
<b>Net operating income</b>		<b>\$183,235</b>	\$163,854
Other income	[20]	1,059	641
Financing costs	[21]	(51,521)	(48,919)
Depreciation		(573)	(630)
Administration		(15,988)	(13,936)
Fair value adjustment on unit-based compensation	[18]	(1,869)	59
Fair value adjustment on Exchangeable Units	[15]	(26,107)	7,676
Fair value adjustment on investment properties	[5]	239,684	46,885
<b>Income before income taxes</b>		<b>327,920</b>	155,630
Deferred tax expense	[22]	(42,393)	(9,590)
<b>Net income</b>		<b>\$285,527</b>	\$146,040
<b>Comprehensive income</b>		<b>\$285,527</b>	\$146,040
<b>Net income attributable to:</b>			
Unitholders		285,514	146,024
Non-controlling interest		13	16
		<b>\$285,527</b>	\$146,040
<b>Comprehensive income attributable to:</b>			
Unitholders		285,514	146,024
Non-controlling interest		13	16
		<b>\$285,527</b>	\$146,040

*See accompanying notes to the consolidated financial statements.*

# Consolidated Statements of Changes in Equity

*In thousands of Canadian dollars,*

<b>Year ended December 31, 2021</b>	<b>Trust Units</b>	<b>Contributed Surplus</b>	<b>Retained Earnings</b>	<b>Non-controlling Interest</b>	<b>Total Equity</b>
As at January 1, 2021	\$1,097,713	\$795	\$669,621	\$129	\$1,768,258
Units issued on exchange of Exchangeable Units	1,823	—	—	—	1,823
Distribution reinvestment plan	25,465	—	—	—	25,465
Deferred Unit-based compensation	945	—	—	—	945
Issued for cash	104,361	—	—	—	104,361
Net income	—	—	285,514	13	285,527
Distributions declared and paid	—	—	(68,406)	—	(68,406)
Distributions payable	—	—	(6,504)	—	(6,504)
<b>As at December 31, 2021</b>	<b>\$1,230,307</b>	<b>\$795</b>	<b>\$880,225</b>	<b>\$142</b>	<b>\$2,111,469</b>

<b>Year ended December 31, 2020</b>	<b>Trust Units</b>	<b>Contributed Surplus</b>	<b>Retained Earnings</b>	<b>Non-controlling Interest</b>	<b>Total Equity</b>
As at January 1, 2020	\$1,009,166	\$795	\$592,293	\$113	\$1,602,367
Units issued on exchange of Exchangeable Units	815	—	—	—	815
Distribution reinvestment plan	21,372	—	—	—	21,372
Deferred Unit-based compensation	578	—	—	—	578
Issued for cash	65,782	—	—	—	65,782
Net income	—	—	146,024	16	146,040
Distributions declared and paid	—	—	(62,793)	—	(62,793)
Distributions payable	—	—	(5,903)	—	(5,903)
<b>At December 31, 2020</b>	<b>\$1,097,713</b>	<b>\$795</b>	<b>\$669,621</b>	<b>\$129</b>	<b>\$1,768,258</b>

*See accompanying notes to the consolidated financial statements.*

# Consolidated Statements of Cash Flows

In thousands of Canadian dollars,

		Year ended December 31,	
	Note	2021	2020
<b>OPERATING ACTIVITIES</b>			
Net income		\$285,527	\$146,040
<b>Add (deduct) items not affecting cash</b>			
Fair value adjustments		(211,708)	(54,620)
Depreciation		573	630
Amortization of deferred financing		3,784	3,126
Non-cash compensation expense		2,078	1,727
Deferred income taxes		42,393	9,563
Amortization of fair value adjustments on assumed mortgages		65	87
Loss on disposition		—	4
(Gain) loss on derivative liability		(167)	483
Interest expense on Exchangeable Units		2,766	2,784
Straight-line rent		(306)	(657)
Interest expense on lease liability		386	385
Net change in non-cash operating activities	[24]	15,469	13,962
<b>Cash provided by operating activities</b>		<b>\$140,860</b>	<b>\$123,514</b>
<b>FINANCING ACTIVITIES</b>			
Deferred financing costs paid		(4,122)	(7,647)
Net proceeds on issuance of Units		104,361	65,782
Cash paid on redemption of restricted Units		(1,566)	(1,672)
Cash paid on lease liabilities		(318)	(314)
Mortgage financing		381,133	433,501
Mortgages repaid		(101,866)	(187,568)
Mortgage principal repayments		(62,246)	(51,592)
Credit facility proceeds		54,701	7,029
Proceeds from construction loans		54,140	39,613
Construction loan repayments		(17,889)	(23,119)
Distributions paid to non-controlling interest		—	16
Distributions to Unitholders		(51,455)	(49,633)
<b>Cash provided by financing activities</b>		<b>\$354,873</b>	<b>\$224,396</b>
<b>INVESTING ACTIVITIES</b>			
Increase in restricted cash		(637)	(255)
Acquisition of investment properties, net of debt assumed		(338,068)	(206,274)
Advance on loan receivable		(4,375)	—
Development of investment properties		(77,962)	(81,975)
Capital expenditures		(76,812)	(69,651)
<b>Cash used in investing activities</b>		<b>(\$497,854)</b>	<b>(\$358,155)</b>
<b>Net decrease in cash</b>		<b>(2,121)</b>	<b>(10,245)</b>
Cash, beginning of year		2,556	12,801
<b>Cash, end of year</b>		<b>\$435</b>	<b>\$2,556</b>

See accompanying notes to the consolidated financial statements.

# Notes to the Consolidated Financial Statements

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

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## 1. Organization of the Trust

Killam Apartment Real Estate Investment Trust ("Killam" or the "Trust") is an unincorporated open-ended mutual fund trust created pursuant to the amended and restated Declaration of Trust ("DOT"), dated November 27, 2015, under the laws of the Province of Ontario. Killam specializes in the acquisition, management and development of multi-residential apartment buildings, manufactured home communities ("MHCs") and commercial properties in Canada.

The consolidated financial statements comprise the financial statements of Killam and its subsidiaries as at and for the year ended December 31, 2021. Killam's head office operations are located at 3700 Kempt Road, Halifax, Nova Scotia, B3K 4X8.

## 2. Significant Accounting Policies

### (A) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of consolidated annual financial statements. These policies have been consistently applied to all years presented, unless stated otherwise.

The consolidated financial statements of the Trust for the year ended December 31, 2021 were authorized for issue in accordance with a resolution of the Board of Trustees of Killam on February 16, 2022.

### (B) Basis of Presentation

The consolidated financial statements of Killam have been prepared on a historical cost basis, except for investment properties, deferred unit-based compensation, a derivative liability and Exchangeable Units, which have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The consolidated financial statements have been prepared on a going concern basis and are presented in Canadian dollars, which is Killam's functional currency, and all values are rounded to the nearest thousand (\$000), except per unit amounts or as otherwise noted.

The consolidated financial statements have been prepared considering the impact that the spread of COVID-19 has and continues to have on local, national and worldwide economies. Measures taken to contain the spread of the virus have triggered significant disruptions to businesses worldwide, resulting in an economic uncertainty. Canadian and global stock markets have also experienced great volatility. 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. Killam has used the best information available as at December 31, 2021, in determining its estimates and the assumptions that affect the carrying amounts of assets and liabilities, and earnings for the year. 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.

### (C) Basis of Consolidation

#### (i) Subsidiaries

The consolidated financial statements comprise the assets and liabilities of all subsidiaries and the results of all subsidiaries for the financial year. Killam and its subsidiaries are collectively referred to as Killam in these consolidated financial statements. Non-controlling interest represents the portion of profit or loss and net assets not held by Killam and is presented separately in the consolidated statements of income and comprehensive income and within equity in the consolidated statements of financial position, separately from unitholders' equity.

Subsidiaries are entities controlled by Killam. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by Killam.

# Notes to the Consolidated Financial Statements

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

## 2. Significant Accounting Policies (continued)

Killam's investments in subsidiaries, all of which are incorporated in Canada, are listed in the following table:

Subsidiary	% Interest
Killam Apartment General Partner Ltd.	100%
Killam Apartment Limited Partnership	100%
Killam Properties Inc.	100%
Killam Properties SGP Ltd.	100%
Killam Apartment Subsidiary Limited Partnership	100%
Killam Apartment Subsidiary II Limited Partnership	100%
Killam Investments Inc.	100%
Killam Investments (PEI) Inc.	100%
Killam Properties Apartments Trust	100%
Killam Properties MHC Trust	100%
Blackshire Court Limited	100%
Killam KamRes (Silver Spear) Inc.	100%
Killam KamRes (Grid 5) Inc.	100%
Blackshire Court Limited Partnership	97%
Christie Point Apt. Ltd.	100%
1140459 BC Ltd.	100%

### (ii) Joint arrangements

Killam has interests in and joint control in four properties, two development projects and land for future development. Killam has assessed the nature of its joint arrangements and determined them to be joint operations. For joint operations, Killam recognizes its share of revenues, expenses, assets and liabilities, which are included in their respective descriptions on the consolidated statements of financial position and consolidated statements of income and comprehensive income. All balances and effects of transactions between joint operations and Killam have been eliminated to the extent of its interest in the joint operations.

### (D) Property Asset Acquisitions

At the time of acquisition of a property or a portfolio of investment properties, Killam evaluates whether the acquisition is a business combination or asset acquisition. IFRS 3, *Business Combinations* ("IFRS 3") is only applicable if it is considered that a business has been acquired. A business according to IFRS 3, is an integrated set of activities and assets that must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. When determining whether the acquisition of an investment property or a portfolio of investment properties is a business combination or an asset acquisition, Killam applies judgment when determining the substance of the assets and activities acquired in addition to the property or portfolio of properties.

When an acquisition does not represent a business as defined under IFRS 3, Killam classifies these properties or a portfolio of properties as an asset acquisition. Identifiable assets acquired and liabilities assumed in an asset acquisition are measured initially at their relative fair values at the acquisition date. Acquisition-related transaction costs are capitalized to the property. All of Killam's acquisitions have been classified as asset acquisitions.

# Notes to the Consolidated Financial Statements

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

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## 2. Significant Accounting Policies (continued)

### (E) Revenue Recognition

#### (i) Rental income

Revenue from rental properties represents the majority of Killam's revenue and includes rents from tenants under leases, parking income, laundry income and other miscellaneous income paid by the tenants under the terms of their existing leases. Rental revenue from investment properties is recognized on a straight-line basis over the lease term. Rental payments are due from tenants at the beginning of the month. The operating leases entered into with tenants create a legally enforceable right to control the use of an identified asset by the tenant for a period of time and also require Killam to provide additional services. IFRS 16, Leases ("IFRS 16"), provides guidance on "lease components" such as base rent, realty tax and insurance recoveries, which therefore are outside of the scope of IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). Property management and ancillary income (such as utilities, parking and laundry) are considered non-lease components and are within the scope of IFRS 15. The performance obligation for the property management and ancillary services is satisfied over time. The Trust applies the practical expedient in IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

#### (ii) Other income

Other corporate income includes interest income and management fees. Interest income is recognized as earned, and management fees are recorded as services are provided.

#### (iii) Service charges and expenses recoverable from tenants

Income arising from expenses recovered from tenants is recognized gross of the related expenses in the period in which the expense can be contractually recovered. Revenue related to laundry and parking is included gross of the related costs.

#### (iv) Manufactured home sales

Where revenue is obtained from the sale of manufactured homes, it is recognized when control has been transferred to the buyer. This will normally take place on the closing date of the home sale. Such sales are considered sales of goods.

#### (v) Straight-line rent

Certain commercial lease agreements contain changes in rental rates over the term of the lease. Total rental income is recorded on a straight-line basis over the life of the lease agreement. An accrued rent receivable is recorded for the difference between the straight-line rent recorded in property revenue and the rent that is contractually due from tenants. Tenant incentives are amortized on a straight-line basis over the term of existing leases and the amortization is shown as a reduction in property revenue.

#### (vi) Common area maintenance ("CAM") services

Killam has an obligation to commercial tenants to provide CAM services in exchange for CAM recoveries, which are considered non-lease components. CAM services are performed during the period in which the tenants occupy the premises, therefore CAM recoveries are recognized in revenue based on actual costs incurred.

#### (vii) Lease cancellation fees

Amounts payable by tenants to terminate a lease prior to the contractual expiry date are included in rental revenue as lease cancellation fees at the effective date of the lease termination.

### (F) Tenant Inducements

Incentives such as cash, rent-free periods and move-in allowances may be provided to lessees to enter into a lease. These incentives are amortized on a straight-line basis over the term of the lease as a reduction of rental revenue.

### (G) Investment Properties

Investment properties include multi-family residential properties, MHC's and commercial properties held to earn rental income and properties that are under construction or development for future use as investment properties and land held for future development. Killam considers its income properties to be investment properties under IAS 40, *Investment Property* ("IAS 40"), and has chosen the fair value model to account for its investment properties in the consolidated financial statements. Fair value represents the amount at which the properties could be exchanged between a knowledgeable and willing buyer and a knowledgeable and willing seller in an arm's length transaction at the date of valuation.

Killam's investment properties have been valued on a highest and best use basis and do not include any portfolio premium that may be associated with the economies of scale from owning a large portfolio or the consolidation of value from having compiled a large portfolio of properties over a long period of time, mostly through individual property acquisitions.

# Notes to the Consolidated Financial Statements

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

## 2. Significant Accounting Policies (continued)

Investment properties are measured initially at cost, including transaction costs. Transaction costs include deed transfer taxes and various professional fees. Subsequent to initial recognition, investment properties are recorded at fair value. Fair value is determined based on a combination of internal and external processes and valuation techniques. Gains and losses arising from changes in fair values are included in the consolidated statements of income and comprehensive income in the year in which they arise. Investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected. Any gains or losses on the retirement or disposal of investment properties are recognized in the consolidated statements of income and comprehensive income in the year of retirement or disposal.

Properties under development are also adjusted to fair value at each consolidated statement of financial position date, with fair value adjustments recognized in net income.

### (i) Investment properties under construction ("IPUC")

Properties under development include those properties, or components thereof, that will undergo activities that will take a substantial period of time to prepare the properties for their intended use as income properties.

The cost of a development property that is an asset acquisition comprises the amount of cash, or the fair value of other consideration, paid to acquire the property, including transaction costs. Subsequent to acquisition, the cost of a development property includes costs that are directly attributable to these assets, including development costs, property taxes, directly attributable labour costs and borrowing costs on both specific and general debt. Direct and indirect borrowing costs, development costs and property taxes are capitalized when the activities necessary to prepare an asset for development or redevelopment begin, and continue until the date that construction is substantially complete and all necessary occupancy and related permits have been received, whether or not the space is leased. If Killam is required as a condition of a lease to construct tenant improvements that enhance the value of the property, then capitalization of these costs continues until such improvements are completed. Capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted.

Interest is capitalized using Killam's weighted average cost of borrowing after adjusting for borrowing associated with specific developments. Where borrowing is associated with specific developments, the amount capitalized is the gross interest incurred on such borrowing less any investment income arising on temporary investment of such borrowing.

### (H) Assets Held for Sale

Assets held for sale include assets that meet the held for sale criteria in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. These assets have carrying amounts that will be recovered principally through a sale and are available for immediate sale in their present condition. Upon designation as held for sale, the investment property continues to be measured at fair value and is presented separately in the consolidated statement of financial position.

### (I) Property and Equipment

Property and equipment are stated at historical cost less accumulated depreciation and consist mainly of Killam's head office buildings, leasehold improvements, vehicles and information technology systems. The estimated useful lives, residual values and depreciation methods are reviewed at each year-end, with the effect of any changes in estimates accounted for prospectively. These items are categorized into the following classes, and their respective useful economic life is used to calculate the amount of depreciation for each period.

<u>Category</u>	<u>Useful Life/Depreciation Rate</u>	<u>Depreciation Method Used</u>
Building	40 years	Straight-line
Heavy equipment	8%	Declining balance
Vehicles	10%	Declining balance
Furniture, fixtures and office equipment	10% to 30%	Declining balance
Leasehold improvements	Lease term	Straight-line

### (J) Inventory

Inventory represents manufactured homes available for sale. The manufactured homes are valued at the lower of cost (purchase price plus delivery and setup costs) and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business based on market prices at the reporting date less costs to complete and the estimated costs of sale.

# Notes to the Consolidated Financial Statements

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

## 2. Significant Accounting Policies (continued)

### (K) Consolidated Statements of Cash Flows

Cash consists of cash on hand and bank account balances excluding cash on hand held for security deposits.

### (L) Deferred unit-based Compensation

Unit-based compensation benefits are provided to officers, Trustees and certain employees and are intended to facilitate long-term ownership of Trust Units and provide additional incentives by increasing the participants' interest, as owners, in Killam. In accordance with IAS 32, *Financial Instruments: Presentation* ("IAS 32"), the Restricted Trust Units ("RTUs") are presented as a liability on the consolidated statements of financial position as the Trust Units are considered puttable instruments in accordance with IAS 32.

The fair value of performance-based RTUs is estimated using a Monte Carlo pricing model. The fair value estimate requires determination of the most appropriate inputs to the pricing model including the expected life, volatility, and dividend yield. The grant date fair value of the deferred unit-based compensation is determined based on the market value of the Trust's Units on the date of grant and compensation expense is recognized over the vesting period and included in administration costs. Under IAS 19, *Employee Benefits*, the RTUs are classified at fair value through profit or loss ("FVTPL") and are measured at each reporting period at fair value, with changes in fair value recognized in the consolidated statements of income and comprehensive income.

### (M) Financial Instruments

Financial instruments are accounted for, presented, and disclosed in accordance with IFRS 7, *Financial Instruments: Disclosures*, IAS 32, and IFRS 9, *Financial Instruments ("IFRS 9")*. Killam recognizes financial assets and financial liabilities when it becomes a party to a contract. Financial assets and financial liabilities, with the exception of financial assets classified at FVTPL, are measured at fair value plus transaction costs on initial recognition. Financial assets classified at FVTPL are measured at fair value on initial recognition and transaction costs are expensed when incurred.

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety. The following summarizes Killam's classification and measurement of financial assets and liabilities:

Type	Classification	Measurement
Rent, loans and other receivables	Financial assets	Amortized cost
Accounts payable, accrued liabilities	Financial liabilities	Amortized cost
Mortgages, loans payable and construction loans	Financial liabilities	Amortized cost
Credit facility	Financial liabilities	Amortized cost
Exchangeable Units	FVTPL	Fair value
Deferred unit-based compensation	FVTPL	Fair value
Derivative liabilities	FVTPL	Fair value

#### Financial liabilities at FVTPL

The Exchangeable Units of the Trust are exchangeable into units of the Trust at the option of the holder. These Exchangeable Units are considered puttable instruments in accordance with IAS 32 and are required to be classified as financial liabilities at FVTPL. The distributions paid on the Exchangeable Units are accounted for as financing costs.

Financial liabilities are classified as FVTPL if they meet certain conditions and are designated as such by Management, or they are derivative liabilities. Financial liabilities classified as FVTPL are measured at fair value, with changes recognized in the consolidated statements of income and comprehensive income.

#### Financial assets

Such receivables arise when Killam provides services to a third party, such as a tenant, and are included in other current assets, except for those with maturities more than 12 months after the consolidated statement of financial position date, which are classified as other non-current assets. Loans and receivables are accounted for at amortized cost.



# Notes to the Consolidated Financial Statements

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

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## 2. Significant Accounting Policies (continued)

### Financial liabilities

Other financial liabilities are financial liabilities that are not classified as FVTPL. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of an instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all transaction costs and other premiums or discounts) through the expected life of the debt instrument to the net carrying amount of the initial recognition.

### Trust Units

Killam's Trust Units are redeemable at the option of the holder and, therefore, are considered puttable instruments. Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, in which case the puttable instruments may be presented as equity. Killam's Trust Units meet the conditions of IAS 32 as they are the most subordinate to all other classes of instruments and are, therefore, presented as equity on the consolidated statements of financial position.

### Exchangeable Units

The Exchangeable Units are considered a financial liability as there is a contractual obligation for the Trust to deliver Trust Units upon exchange of the Exchangeable Units. The distributions on the Exchangeable Units are recognized as financing costs in the consolidated statements of income and comprehensive income. The distributions payable as at the reporting date are reported under other current liabilities on the consolidated statements of financial position. The Exchangeable Units are measured at each reporting date at fair value, as they are considered to be puttable instruments under IAS 32, Financial Instruments: Presentation ("IAS 32"). Fair value is based off of the unit price of the Trust given the Exchangeable Units can be converted into Trust Units. Changes in fair value are recognized in the consolidated statements of income and comprehensive income.

### Mortgages and loans payable

Mortgages and loans payable are initially recognized at fair value less directly attributable transaction costs. After initial recognition, mortgages and loans payable are subsequently measured at amortized cost using the effective interest rate method. Mortgage maturities and repayments due more than 12 months after the consolidated statement of financial position date are classified as non-current.

### Financing costs

Financing fees and other costs incurred in connection with debt financing are deducted from the cost of the debt and amortized using the effective interest rate method. Upon refinancing, any financing costs associated with previous mortgages are written off to income. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate calculation.

### Prepaid insurance premiums

Canada Mortgage and Housing Corporation ("CMHC") insurance premiums are netted against mortgages and loans payable. They are amortized over the amortization period of the underlying mortgage loans on a straight-line basis (initial period is typically 25-30 years) and are included as a component of financing costs. Should Killam refinance an existing mortgage, CMHC premiums associated with the new mortgage will be reflected in deferred financing costs. Other unamortized CMHC premiums and fees associated with the property that are no longer linked to a current mortgage will be amortized in the period in which the refinancing occurs.

### Transaction costs

Transaction costs related to loans and receivables and other liabilities, measured at amortized cost, are netted against the carrying value of the asset or liability and amortized over the expected life of the instrument using the effective interest rate method.

### Determination of fair value

The fair value of a financial instrument on initial recognition is generally the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, the fair value of financial instruments is remeasured based on relevant market data. Killam classifies the fair value for each class of financial instrument based on the fair value hierarchy. The fair value hierarchy distinguishes between market value data obtained from independent sources and Killam's own assumptions about market value. See note 25 for a detailed discussion of valuation methods used for financial instruments quoted in an active market and instruments valued using observable data.

# Notes to the Consolidated Financial Statements

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

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## 2. Significant Accounting Policies (continued)

### Derivatives

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and subsequently re-measured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative financial instrument is designated as a hedging instrument and, if so, the nature of the item being hedged. For Killam's accounting policy on hedging, see the Hedging Relationships section below. Derivatives not designated in a hedging relationship are measured at fair value, with changes therein recognized directly through the consolidated statements of income and comprehensive income.

### Embedded derivatives

Derivatives embedded in other financial instruments or contracts are separated from their host contracts and accounted for as derivatives when their economic characteristics and risks are not closely related to those of the host contract; the terms of the embedded derivative are the same as those of a free-standing derivative; and the combined instrument or contract is not measured at fair value. These embedded derivatives are measured at fair value, with changes therein recognized within net income in the consolidated statements of income and comprehensive income.

### **(N) Hedging Relationships**

Killam may use interest rate swaps to hedge its risks associated with interest rates. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

At the inception of a hedge relationship, Killam formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how Killam will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

### Cash flow hedges

For the purpose of cash flow hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

The effective portion of the gain or loss on the hedging instrument is recognized directly in equity through other comprehensive income, while any ineffective portion is recognized immediately in the consolidated statements of income and comprehensive income. Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognized in equity are transferred to the consolidated statements of income and comprehensive income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction or firm commitment occurs.

### **(O) Borrowing Costs and Interest on Mortgages Payable**

Financing costs include mortgage interest, which is expensed at the effective interest rate, and transaction costs incurred in connection with the revolving credit facilities, which are capitalized and presented as other non-current assets and amortized over the term of the facility to which they relate.

### **(P) Comprehensive Income**

Comprehensive income includes net income and other comprehensive income. Other comprehensive income includes the effective portion of cash flow hedges less any amounts reclassified to interest and other financing costs and the associated income taxes.

### **(Q) Distributions**

Distributions represent the monthly cash distributions on outstanding Trust Units and Exchangeable Units.

# Notes to the Consolidated Financial Statements

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

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## 2. Significant Accounting Policies (continued)

### (R) Provisions

In accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37"), a provision is a liability of uncertain timing or amount. Provisions are recognized when the entity has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the date of the consolidated statements of financial position, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, where the time value of money is material. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. Provisions reflect Killam's best estimate at the reporting date. Killam's provisions are immaterial and are included in accounts payable and accrued liabilities.

### (S) Taxation

Effective January 1, 2016, Killam qualified as a "mutual fund trust" as defined under the *Income Tax Act* (Canada) and as a REIT eligible for the "REIT Exemption" in accordance with the rules affecting the tax treatment of publicly traded trusts. Accordingly, the Trust is not taxable on its income provided that all of its taxable income is distributed to its unitholders. This exemption, however, does not extend to the corporate subsidiaries of Killam that are subject to income taxes.

#### (i) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be paid to tax authorities, net of recoveries, based on the tax rates and tax laws enacted or substantively enacted at the reporting date. Current income tax relating to items recognized directly in equity is recognized in equity and not profit or loss. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### (ii) Deferred income tax

Deferred income tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss.

Deferred income tax assets are recognized only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits, or tax losses can be utilized. The carrying values of deferred income tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that the income tax asset will be recovered. Killam determines the deferred tax consequences associated with temporary differences relating to investment properties as if the carrying amount of the investment property is recovered entirely through sale. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

### (T) Earnings Per Unit

As a result of the redemption feature of Killam's Trust Units, these Units are considered financial liabilities under IAS 33, *Earnings per Share*, and they may not be considered as equity for the purposes of calculating net income on a per Unit basis. Consequently, Killam does not report earnings per Unit calculations.

### (U) Leases

In accordance with IFRS 16, at the commencement date of any new leases, Killam will recognize a liability to reflect the present value of the lease obligations and an asset representing the right to use the underlying asset during the lease term. Land leases meet the definition of investment property under IAS 40, *Investment Property*; therefore, the fair value model is applied to these assets. Interest expense on the lease liability and the fair value gain or loss on the right-of-use asset is recognized separately on the consolidated statements of income and comprehensive income.

Killam measures lease liabilities at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

# Notes to the Consolidated Financial Statements

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

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## 2. Significant Accounting Policies (continued)

In calculating the present value of lease payments, Killam uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the lease liabilities are increased to reflect the accretion of interest and reduced for lease payments made. The carrying amount of lease liabilities are remeasured if there are modifications, a change in the lease terms, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

### (V) Reportable Operating Segments

Reportable operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. Killam has determined that its chief operating decision-maker is comprised of members of executive management.

## 3. Critical Accounting Judgments, Estimates and Assumptions

### Critical Judgments in Applying Accounting Policies

The preparation of consolidated financial statements in accordance with IFRS requires the use of estimates, assumptions and judgments that in some cases relate to matters that are inherently uncertain, and which affect the amounts reported in the consolidated financial statements and accompanying notes. Areas of such estimation include, but are not limited to: valuation of investment properties, remeasurement at fair value of financial instruments, valuation of accounts receivable, capitalization of costs, accounting accruals, the amortization of certain assets, accounting for deferred income taxes and determining whether an acquisition is a business combination or an asset acquisition. Changes to estimates and assumptions may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates under different assumptions and conditions.

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

#### (i) Income taxes

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

#### (ii) Investment property and internal capital program

The Trust's accounting policy relating to investment properties is described in note 2(G). In applying this policy, judgment is applied in determining the extent and frequency of utilizing independent, third-party appraisals to measure the fair value of the Trust's investment properties. Additionally, judgment is applied in determining the appropriate classes of investment properties in order to measure fair value. The Trust also undertakes internal capital improvements and upgrades. Such work is specifically identified, and the Trust applies judgment in the estimated amount of directly attributable salaries to be allocated to capital improvements and upgrades of its investment properties.

#### (iii) Financial instruments

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

#### (iv) Basis of consolidation

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

# Notes to the Consolidated Financial Statements

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

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## 3. Critical Accounting Judgments, Estimates and Assumptions (continued)

### (v) Revenue recognition

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

### *Key Accounting Estimates and Assumptions*

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

### (i) Valuation of investment properties

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

IPUC and land held for development are also valued at fair value, except if such values cannot be reliably determined.

### (ii) Deferred unit-based compensation

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

### (iii) Deferred taxes

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

## 4. Future Accounting Policy Changes

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

### **Amendments to IAS 1, Presentation of Financial Statements, Amendments to Classification of Liabilities as Current or Non-Current**

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

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

# Notes to the Consolidated Financial Statements

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

## 5. Investment Properties

As at December 31, 2021

	Apartments	MHCs	Commercial	IPUC	Land for Development	Total
<b>Balance, January 1, 2021</b>	<b>\$3,218,369</b>	<b>\$212,699</b>	<b>\$139,130</b>	<b>\$128,100</b>	<b>\$43,620</b>	<b>\$3,741,918</b>
Fair value adjustment on investment properties	210,829	12,844	2,937	11,097	—	237,707
Acquisitions	382,129	404	10,495	—	13,315	406,343
Transfer from IPUC	17,254	—	—	(17,254)	—	—
Capital expenditures	68,773	5,423	2,744	73,005	1,905	151,850
Transfer from land for development	—	—	—	4,132	(4,132)	—
Interest capitalized on IPUC and land for development	—	—	—	2,239	820	3,059
<b>Balance, December 31, 2021</b>	<b>\$3,897,354</b>	<b>\$231,370</b>	<b>\$155,306</b>	<b>\$201,319</b>	<b>\$55,528</b>	<b>\$4,540,877</b>

As at December 31, 2020

	Apartments	MHCs	Commercial	IPUC	Land for Development	Total
Balance, January 1, 2020	\$2,874,407	\$202,431	\$157,572	\$46,867	\$39,327	\$3,320,604
Fair value adjustment on investment properties	53,765	1,820	(14,862)	10,184	(4,022)	46,885
Acquisitions	200,017	4,044	2,555	3,968	1,237	211,821
Transfer from IPUC	22,117	—	—	(22,117)	—	—
Capital expenditures	57,961	4,392	3,340	76,050	3,339	145,082
Transfer between apartment and commercial segment	9,475	—	(9,475)	—	—	—
Transfer from land for development	—	—	—	11,462	(11,462)	0
Transfer from held for sale	—	—	—	—	14,214	14,214
Impact of change in right-of-use asset	627	12	—	—	—	639
Interest capitalized on IPUC and land for development	—	—	—	\$1,686	\$987	\$2,673
<b>Balance, December 31, 2020</b>	<b>\$3,218,369</b>	<b>\$212,699</b>	<b>\$139,130</b>	<b>\$128,100</b>	<b>\$43,620</b>	<b>\$3,741,918</b>

# Notes to the Consolidated Financial Statements

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

## 5. Investment Properties (continued)

During the year ended December 31, 2021, Killam acquired the following properties:

Property	Location	Acquisition Date	Ownership Interest	Property Type	Units/SF	Purchase Price <sup>(1)</sup>
Nolan Hill <sup>(2)</sup>	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 <sup>(3)</sup>	Halifax, NS	29-Jan-21	100%	Development Land	—	3,000
54 Assomption Blvd	Moncton, NB	01-Feb-21	100%	Apartment	23	5,600
Southport <sup>(3)</sup>	Stratford, PE	01-Feb-21	100%	Development Land	—	3,800
5735 College Street	Halifax, NS	07-May-21	100%	Development Land	—	1,300
Charlottetown Mall <sup>(4)</sup>	Charlottetown, PE	01-Jun-21	25%	Commercial	95,750	10,100
38 Pasadena Crescent	St. John's, NL	08-Jun-21	100%	Apartment	40	4,200
KWC Portfolio <sup>(5)</sup>	Kitchener/Waterloo, ON	30-Jun-21	100%	Apartment	785	190,500
131 Queensway Drive <sup>(6)</sup>	Moncton, NB	15-Sept-21	100%	MHC Land	—	385
140 Dale Drive	Stratford, PE	06-Oct-21	100%	Apartment	61	15,300
Emma Place	Moncton, NB	18-Oct-21	100%	Apartment	118	31,800
Heritage Valley	Edmonton, AB	28-Oct-21	100%	Apartment	123	28,900
160 Dale Drive <sup>(3)</sup>	Stratford, PE	29-Oct-21	100%	Development Land	—	1,500
Nautical Suites	Edmonton, AB	9-Nov-21	100%	Apartment	180	42,300
1350 Hollis Street <sup>(3)</sup>	Halifax, NS	1-Dec-21	100%	Apartment	3	1,300
155 Kedgwick Drive	Moncton, NB	20-Dec-21	100%	Apartment	31	\$6,500
<b>Total Acquisitions</b>						<b>\$399,385</b>

<sup>(1)</sup> Purchase price does not include transaction costs.

<sup>(2)</sup> 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.

<sup>(3)</sup> Properties with in-place income acquired for future development potential.

<sup>(4)</sup> Killam acquired an additional 25% interest in the property, with its ownership interest now totalling 75%.

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

<sup>(6)</sup> Killam acquired a parcel of land adjacent an existing property.

During the year ended December 31, 2020, Killam acquired the following properties:

Property	Location	Acquisition Date	Ownership Interest	Property Type	Purchase Price <sup>(1)</sup>
Christie Point	Victoria, BC	15-Jan-20	100%	Apartment	\$54,000
9 Carrington	Halifax, NS	31-Jan-20	100%	Apartment	8,800
Domaine Parlee	Shediac, NB	23-Mar-20	100%	MHC	3,950
1325 Hollis	Halifax, NS	31-Mar-20	100%	Apartment	3,700
Crossing at Belmont	Langford, BC	30-Apr-20	100%	Apartment	60,000
3644 & 3670 Kempt Rd	Halifax, NS	15-Jul-20	100%	Commercial	2,500
Luma	Ottawa, ON	30-Jul-20	50%	Development Land	4,300
171 & 181 Leopold	Moncton, NB	26-Oct-20	100%	Apartment	17,600
1538 Carlton Street	Halifax, NS	30-Oct-20	100%	Development Land	1,200
88 Sunset	Moncton, NB	13-Nov-20	100%	Apartment	55,000
<b>Total Acquisitions</b>					<b>\$211,050</b>

<sup>(1)</sup> Purchase price does not include transaction costs.

During the year ended December 31, 2021, Killam capitalized salaries of \$4.3 million (year ended December 31, 2020 - \$3.8 million), as part of its project improvement, suite renovation and development programs. For the year ended December 31, 2021, interest costs associated with the general corporate borrowings used to fund development were capitalized to the respective development projects using Killam's weighted average borrowing rate of 2.52% (December 31, 2020 - 2.69%). Interest costs associated with development specific loans were capitalized to the respective developments using the actual borrowing rate associated with the loan.

Investment properties with a fair value of \$4.3 billion as at December 31, 2021 (December 31, 2020 - \$3.5 billion), have been pledged as collateral against Killam's mortgages, construction loan and credit facilities.

# Notes to the Consolidated Financial Statements

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

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## 5. Investment Properties (continued)

### Valuation methodology

#### Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). Expectations about future improvements or modifications to be made to the investment property to reflect its highest and best use may be considered in the valuation.

Investment properties carried at fair value are categorized by level according to the significance of the inputs used in making the measurements. As the fair value of investment properties is determined with significant unobservable inputs, all investment properties are classified as Level 3 fair value measurements. See note 25 for further details.

Killam's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers in or out of Level 3 fair value measurements for investment properties during the year.

### Valuation processes

#### Internal valuations

Killam measures the majority of its investment properties using valuations prepared by its internal valuation team. This team consists of individuals who are knowledgeable and have specialized industry experience in real estate valuations and report directly to a senior member of Killam's management. The internal valuation team's processes and results are reviewed and approved by senior management of Killam, including the President & Chief Executive Officer; Chief Financial Officer; and other executive members, in line with Killam's quarterly reporting dates.

#### External valuations

Depending on the property asset type and location, management may at times use external valuations to support its fair value, obtaining valuations from independent third-party firms that employ experienced valuation professionals. Killam obtained a total of 21 external property appraisals throughout the year. The internal valuation team also verifies all major inputs used by the external valuers in preparing the valuation report, compares the fair value against the fair value determined in internal models, and holds discussions with the external valuers.

### Valuation techniques underlying management's estimation of fair value

#### Income properties

The apartment and MHC investment properties were valued using the direct income capitalization method. In applying the direct income capitalization method, the stabilized net operating income ("SNOI") of each property is divided by a capitalization rate. The significant unobservable inputs include the following:

- SNOI is based on budgeted rents and expenses and supported by the terms of any existing leases, other contracts or external evidence such as current market rents for similar properties. Budgeted rents and expenses are adjusted to incorporate allowances for vacancy rates, management fees, expected post sale property taxes and market-based maintenance and salary costs. The resulting capitalized value is then adjusted for other costs inherent in achieving and maintaining SNOI, including structural reserves for capital expenditures.
- Capitalization rate is based on location, size and quality of the properties and takes into account market data at the valuation date.

#### IPUC and land for development

Management uses an internal valuation process to estimate the fair value of properties under development and land for development. Where a site is partially developed, the direct capitalization method is applied to capitalize the pro forma SNOI, from which the costs to complete the development are deducted. The significant unobservable inputs are based on the following:

- Pro forma SNOI is based on the location, type and quality of the properties and supported by the terms of actual or anticipated future leases, other contracts or external evidence such as current market rents for similar properties. Vacancy rates are based on current and expected future market conditions, and estimated maintenance costs are based on management's experience and knowledge of the market conditions.
- Costs to complete are derived from internal budgets based on management's experience and knowledge of the market conditions.
- Capitalization rate is risk-adjusted taking into consideration the inherent risk of the development project based on location, size and quality of the properties and taking into account market data at the valuation date.

The primary method of valuation for land acquired for development is the comparable sales approach, which considers recent sales activity for similar land parcels in the same or similar markets. Land values are estimated using either a per acre or per buildable square foot basis based on highest and best use. Such values are applied to Killam's properties after adjusting for factors specific to the site, including its location, intended use, zoning, servicing and configuration.



# Notes to the Consolidated Financial Statements

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

## 5. Investment Properties (continued)

### Valuation Basis

Using the direct income capitalization method, the apartment properties were valued using capitalization rates ("cap-rates") in the range of 3.00% to 7.00%, applied to a stabilized net operating income ("SNOI") of \$172.4 million (December 31, 2020 - 3.25% to 7.00% and \$150.1 million), resulting in an overall weighted average effective cap-rate of 4.41% (December 31, 2020 - 4.67%). The stabilized occupancy rates used in the calculation of SNOI were in the range of 94.0% to 99.0% (December 31, 2020 - 92.5% to 99.0%). Using the direct income capitalization method, the MHC properties were valued using cap-rates in the range of 5.0% to 6.5%, applied to a SNOI of \$12.5 million (December 31, 2020 - 5.0% to 6.5% and \$11.3 million), resulting in an overall weighted average effective cap-rate of 5.59% (December 31, 2020 - 5.65%). The stabilized occupancy rate used in the calculation of SNOI was 97.8% (December 31, 2020 - 97.8%). Using a discounted cash flow model, the stabilized commercial properties were valued using key inputs determined by management based on review of asset performance and comparable assets in relevant markets. Using the discounted cash flow (DCF) method, fair value is estimated using assumptions regarding benefits and liabilities of ownership over the asset's life, including a terminal value. This method involves the projection of stabilized cash flows on each individual property, with market derived discount rates and terminal capitalization rates applied to the stabilized cash flow to establish the present value of the income stream associated with the asset. The weighted average discount rate applied in the period was 7.48%.

Killam reviewed its valuation of investment properties in light of COVID-19 as at December 31, 2021. 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. Killam has applied judgement in estimating the valuation given the uncertainties surrounding the economic impact of COVID-19.

Investment property valuations are most sensitive to changes in the cap-rate. The cap-rate assumptions for the investment properties are included in the following table by region:

	December 31, 2021			December 31, 2020		
	Low	High	Effective Weighted Average	Low	High	Effective Weighted Average
<b>Apartments</b>	<b>3.00%</b>	<b>7.00%</b>	<b>4.41%</b>	3.25%	7.00%	4.67%
Halifax	3.75%	5.60%	4.37%	3.75%	5.60%	4.50%
Moncton	3.80%	7.00%	4.86%	4.50%	7.00%	5.05%
Fredericton	5.00%	5.25%	5.10%	5.00%	6.00%	5.53%
Saint John	5.25%	5.25%	5.25%	5.50%	6.00%	5.79%
St. John's	5.00%	6.00%	5.64%	5.00%	6.00%	5.62%
Charlottetown	4.42%	5.75%	5.39%	5.25%	5.75%	5.50%
Ontario	3.00%	4.87%	3.59%	3.25%	5.00%	3.97%
British Columbia	3.50%	3.50%	3.50%	4.08%	4.35%	4.22%
Alberta	4.47%	5.00%	4.65%	4.47%	5.00%	4.64%
Other Atlantic	5.50%	7.00%	6.39%	5.50%	7.00%	6.38%
<b>MHCs</b>	<b>5.00%</b>	<b>6.50%</b>	<b>5.59%</b>	5.00%	6.50%	5.64%
Ontario	5.00%	6.50%	5.86%	5.00%	6.50%	5.95%
Nova Scotia	5.00%	6.00%	5.27%	5.00%	6.00%	5.30%
New Brunswick	5.19%	6.50%	5.77%	5.19%	6.50%	5.72%
Newfoundland	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

### Fair Value Sensitivity

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

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

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

# Notes to the Consolidated Financial Statements

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

## 6. Joint Operations and Investments in Joint Venture

Killam has interests in four properties (seven buildings), two development projects and land for future development that are subject to joint control and are joint operations. Accordingly, the consolidated statements of financial position and consolidated statements of income and comprehensive income include Killam's rights to and obligations for the related assets, liabilities, revenue and expenses. As at December 31, 2021, the fair value of the investment properties subject to joint control was \$371.5 million (December 31, 2020 - \$316.0 million).

## 7. Property and Equipment

As at	December 31, 2021		December 31, 2020	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$270	\$—	\$270	\$—
Building	2,245	564	2,107	524
Heavy equipment	498	203	415	155
Vehicles	2,901	1,283	2,612	1,095
Furniture, fixtures and office equipment	6,836	5,887	6,710	5,726
Leasehold improvements	3,971	853	4,456	721
	16,721	8,790	16,570	8,221
Less accumulated depreciation	(8,790)		(8,221)	
	\$7,931		\$8,349	

## 8. Other Current Assets and Non-Current Assets

### Other Current Assets

As at	December 31, 2021	December 31, 2020
Restricted cash	\$7,486	\$6,849
Deposits	1,575	3,266
Prepaid expenses	7,848	7,052
Inventory	212	9
	\$17,121	\$17,176

Restricted cash consists of security deposits and property tax reserves. Deposits consist of funds held in trust for future acquisitions. Inventory relates to manufactured homes for which sales have not closed at year-end.

### Other Non-Current Assets

On June 1, 2021, Killam provided a \$4.4 million loan to its 25% joint owner of the Royalty Crossing. The loan receivable bears interest at 6.5% to be paid monthly and full repayment of the loan is due within 36 months from the initial advance.

# Notes to the Consolidated Financial Statements

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

## 9. Rent and Other Receivables

As at	December 31, 2021	December 31, 2020
Rent receivable	\$809	\$790
Other receivables	6,959	5,771
	<b>\$7,768</b>	<b>\$6,561</b>

Included in other receivables are laundry revenue, insurance receivables and other non-rental income. The majority of rent receivable is less than 90 days old. Killam's policy is to write off tenant receivables when the tenant vacates the unit and any subsequent receipt of funds is netted against bad debts. Killam's bad debt experience has historically been less than 0.3% of revenue.

## 10. Mortgages and Loans Payable

As at	December 31, 2021		December 31, 2020	
	Weighted Average Interest	Debt Balance	Weighted Average Interest	Debt Balance
Mortgages and loans payable				
Fixed rate	2.58%	\$1,907,064	2.69%	\$1,623,889
Variable rate	2.37%	8,270	1.98%	7,800
<b>Total</b>		<b>\$1,915,334</b>		<b>\$1,631,689</b>
Current		236,943		201,345
Non-current		1,678,391		1,430,344
		<b>\$1,915,334</b>		<b>\$1,631,689</b>

Mortgages are collateralized by a first charge on the properties of Killam.

As at December 31, 2021, unamortized deferred financing costs of \$37.0 million (December 31, 2020 - \$36.7 million) and mark-to-market adjustments on mortgages assumed on acquisitions of \$0.8 million (December 31, 2020 - \$0.08 million) are netted against mortgages and loans payable.

Estimated future principal payments and maturities required to meet mortgage obligations by the 12 month period ending December 31, are as follows:

	Principal Amount	% of Total Principal
2022	236,943	12.1%
2023	329,091	16.8%
2024	337,872	17.4%
2025	352,522	18.0%
2026	218,936	11.2%
Subsequent to 2026	477,788	24.5%
	\$1,953,152	100.0%
Unamortized deferred financing costs	(\$37,028)	
Unamortized mark-to-market adjustments	(\$790)	
	<b>\$1,915,334</b>	

# Notes to the Consolidated Financial Statements

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

## 11. Lease Liabilities

	2021	2020
Balance, beginning of year	\$9,573	\$8,919
Net change in lease liabilities	31	654
<b>Balance, end of year</b>	<b>\$9,604</b>	<b>\$9,573</b>

As at December 31, 2021, the right-of-use assets and lease liabilities are \$9.6 million (December 31, 2020 - \$9.6 million). The right-of-use assets are classified as part of investment properties and the lease liabilities are classified in other liabilities on the consolidated statement of financial position. The total lease payments for the year ended December 31, 2021, were \$0.4 million (December 31, 2020 - \$0.3 million).

## 12. Credit Facilities

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

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

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

As at December 31, 2021	Maximum Loan Amount <sup>(1)</sup>	Amount Drawn	Letters of Credit	Amount Available
\$155.0 million facility	\$175,000	54,500	—	\$120,500
\$15.0 million facility	15,000	7,230	1,745	6,025
<b>Total</b>	<b>\$190,000</b>	<b>\$61,730</b>	<b>\$1,745</b>	<b>\$126,525</b>

As at December 31, 2020	Maximum Loan Amount <sup>(1)</sup>	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
<b>Total</b>	<b>\$140,000</b>	<b>\$7,029</b>	<b>\$1,773</b>	<b>\$131,198</b>

<sup>(1)</sup> Maximum loan includes a \$20.0 million accordion option, for which collateral is pledged.

## 13. Construction Loans

As at December 31, 2021, Killam had access to five variable rate non-revolving demand construction loans, for the purpose of financing development projects, totalling \$179.1 million. As at December 31, 2021, \$77.6 million was drawn on the construction loans (December 31, 2020 - \$41.3 million). Payments are made monthly on an interest-only basis. The weighted-average contractual interest rate on amounts outstanding at December 31, 2021, was 2.01% (December 31, 2020 - 2.37%). Once construction is complete and rental targets achieved, construction financing is expected to be replaced with permanent mortgage financing.

# Notes to the Consolidated Financial Statements

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

## 14. Accounts Payable and Accrued Liabilities

As at	December 31, 2021	December 31, 2020
Accounts payable and other accrued liabilities	\$53,109	\$39,950
Distributions payable	6,737	6,136
Mortgage interest payable	3,873	3,434
Security deposits	11,194	9,386
	<b>\$74,913</b>	<b>\$58,906</b>

## 15. Exchangeable Units

	2021		2020	
	Number of Exchangeable Units	Value	Number of Exchangeable Units	Value
Balance, beginning of year	4,101,520	\$70,177	4,153,520	\$78,668
Exchangeable Units exchanged for Trust Units	(97,250)	(1,823)	(52,000)	(815)
Fair value adjustment	—	26,107	—	(7,676)
<b>Balance, end of year</b>	<b>4,004,270</b>	<b>\$94,461</b>	<b>4,101,520</b>	<b>\$70,177</b>

The Exchangeable Units are non-transferable, but are exchangeable, on a one-for-one basis, into Killam Trust Units at any time at the option of the holder. Prior to such exchange, distributions will be made on these Exchangeable Units in an amount equivalent to the distributions that would have been made had the Units been exchanged for Killam Trust Units.

## 16. Unitholders' Equity

By virtue of Killam being 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 Declaration of Trust ("DOT"). As a result, under IFRS, Trust Units are defined as financial liabilities; however, for the purposes of financial statement classification and presentation, the Trust Units may be presented as equity instruments as they meet the puttable instrument exemption under IAS 32.

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

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

The Units issued and outstanding are as follows:

	Number of Trust Units	Value
Balance, December 31, 2020	103,212,327	\$1,097,713
Distribution Reinvestment Plan	1,272,661	25,465
Restricted Trust Units redeemed	69,748	945
Units issued on exchange of Exchangeable Units	97,250	1,823
Units issued for cash	5,905,480	104,361
<b>Balance, December 31, 2021</b>	<b>110,557,466</b>	<b>\$1,230,307</b>

# Notes to the Consolidated Financial Statements

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

## 16. Unitholders' Equity (continued)

### Units issued for cash

	Price per Unit	Gross Proceeds	Transaction Costs	Net Proceeds	Units Issued
Bought-deal (May 31, 2021)	\$18.50	\$95,001	\$4,370	\$90,631	5,135,200
Over-allotment (May 31, 2021)	\$18.50	14,250	520	13,730	770,280
Total		\$109,251	\$4,890	\$104,361	5,905,480

### Distribution Reinvestment Plan ("DRIP")

Killam's DRIP allows unitholders to acquire additional Units of the Trust through the reinvestment of distributions on their Units. Unitholders who participate in the DRIP receive additional Units equal to 3% of the Units reinvested. Units issued with the DRIP are issued directly from the Trust at a price based on the 10-day volume weighted average closing price of the Toronto Stock Exchange ("TSX") preceding the relevant distribution date, which typically is on or about the 15<sup>th</sup> day of the month following the distribution declaration.

## 17. Distributions

Killam paid distributions to its unitholders during 2021 in accordance with its DOT. Distributions declared by the Board of Trustees were paid monthly, on or about the 15<sup>th</sup> day of each month.

For the year ended December 31, 2021, the distributions declared related to the Trust Units were \$74.9 million (year ended December 31, 2020 - \$68.7 million). For the year ended December 31, 2021, distributions declared related to the Exchangeable Units were \$2.8 million (year ended December 31, 2020 - \$2.8 million). The distributions on the Exchangeable Units are recorded in financing costs.

## 18. Deferred Unit-based Compensation

Restricted Trust Units ("RTUs") are awarded to members of the senior executive team and director-level employees as a percentage of their compensation. The Trust also grants RTUs subject to performance conditions under the RTU Plan for certain senior executives. Non-executive members of the Board of Trustees have the right to receive a percentage of their annual retainer in the form of RTUs.

The number of RTUs awarded are based on the volume weighted average price of all Trust Units traded on the TSX for the five trading days immediately preceding the date on which the compensation is awarded. The RTUs earn distributions based on the same distributions paid on the Trust Units, and such distributions translate into additional RTUs. The initial RTUs, and RTUs acquired through distribution reinvestment, are credited to each person's account and are not issued to the employee or Board member until they redeem such RTUs. For employees, the RTUs will be redeemed and paid out in Trust Units by December 31 of the year in which the RTUs have vested.

The RTUs subject to performance conditions will be subject to both internal and external measures consisting of both absolute and relative performance over a three-year period. Killam accounts for the RTUs subject to performance conditions under the fair value method of accounting, and uses the Monte-Carlo simulation pricing model to determine the fair value, which allows for the incorporation of the market based performance hurdles that must be met before the RTUs subject to performance conditions vest.

The RTUs are considered a financial liability because there is a contractual obligation for the Trust to deliver Trust Units (which are accounted for as liabilities, but presented as equity instruments under IAS 32) upon conversion of the RTUs. The RTUs are measured at fair value with changes flowing through the consolidated statements of income and comprehensive income. The fair value of the vested RTUs as at December 31, 2021, is \$6.4 million, which includes \$2.6 million related to RTUs subject to performance conditions (December 31, 2020 - \$4.8 million and \$2.1 million). For the year ended December 31, 2021, compensation expense of \$2.1 million (year ended December 31, 2020 - \$1.7 million) has been recognized in respect of the RTUs.

# Notes to the Consolidated Financial Statements

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

## 18. Deferred Unit-based Compensation (continued)

The details of the RTUs issued are shown below:

For the years ended December 31,	2021		2020	
	Number of RTUs	Weighted Average Issue Price	Number of RTUs	Weighted Average Issue Price
<b>Outstanding, beginning of period</b>	<b>351,734</b>	<b>\$16.93</b>	364,875	\$14.73
Granted	<b>143,054</b>	<b>18.14</b>	114,920	19.49
Redeemed	<b>(148,016)</b>	<b>13.09</b>	(133,531)	13.09
Forfeited	—	—	(7,988)	18.57
Additional Restricted Trust Unit distributions	<b>12,400</b>	<b>19.92</b>	13,458	17.82
<b>Outstanding, end of period</b>	<b>359,172</b>	<b>\$18.10</b>	351,734	\$16.93

## 19. Revenue

In accordance with IFRS 15, Management has evaluated the lease and non-lease components of its revenue and has determined the following allocation:

	For the years ended December 31,	
	2021	2020
Rental revenue <sup>(1)</sup>	<b>\$206,551</b>	\$185,799
Property expense recoveries	<b>72,729</b>	65,423
Ancillary revenue	<b>11,637</b>	10,468
	<b>\$290,917</b>	\$261,690

<sup>(1)</sup> Includes base rent, realty taxes and insurance recoveries, which are outside the scope of IFRS 15.

## 20. Other Income

	For the years ended December 31,	
	2021	2020
Management fee revenue	<b>701</b>	593
Interest revenue	<b>237</b>	47
Home sale revenue	<b>121</b>	1
	<b>\$1,059</b>	\$641

# Notes to the Consolidated Financial Statements

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

## 21. Financing Costs

	For the years ended December 31,	
	2021	2020
Mortgage, loan and construction loan interest	\$46,683	\$44,055
Interest on credit facilities	1,063	671
Interest on Exchangeable Units	2,766	2,784
Amortization of deferred financing costs	3,784	3,126
Amortization of fair value adjustments on assumed debt	65	88
Unrealized (gain) loss on derivative liability	(167)	483
Interest on lease liabilities	386	385
Capitalized interest	(3,059)	(2,673)
	<b>\$51,521</b>	<b>\$48,919</b>



# Notes to the Consolidated Financial Statements

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

## 22. Deferred Income Tax

Trusts that satisfy the REIT Exemption are excluded from the specified investment flow-through ("SIFT") definition and therefore will not be subject to taxation under the SIFT Rules. Effective December 31, 2020, Killam qualified for the REIT Exemption and continues to meet the REIT Exemption as at December 31, 2021, and is therefore not subject to taxation to the extent that income is distributed to unitholders. However, this exemption does not extend to the corporate subsidiaries of Killam that are taxable legal entities. For the year ended December 31, 2021, the deferred tax expense relates to the corporate subsidiary entity of the REIT.

As at December 31,	2020	Recognized in consolidated statement of income and comprehensive income	2021
Deferred tax liabilities (assets) related to:			
Real estate properties	\$191,953	\$43,812	\$235,765
Loss carryforwards	(15,207)	(2,060)	(17,267)
Unrealized capital gains	3,743	(107)	3,636
Other	4,122	748	4,870
Net deferred tax liabilities	\$184,611	\$42,393	\$227,004

As at December 31,	2019	Recognized in consolidated statement of income and comprehensive income	2020
Deferred tax liabilities (assets) related to:			
Real estate properties	\$180,555	\$11,398	\$191,953
Loss carryforwards	(12,819)	(2,388)	(15,207)
Unrealized capital gains	3,876	(133)	3,743
Other	3,436	686	4,122
Net deferred tax liabilities	\$175,048	\$9,563	\$184,611

The deferred tax expense for the year can be reconciled to the accounting profit as follows:

For the years ended December 31,	2021	2020
Income before income taxes	\$327,920	\$155,630
Statutory tax rate	28.3%	28.6%
Income tax expense at statutory rates	92,933	44,572
Amounts not subject to tax	(91,409)	(43,196)
Income taxed at a lower amount	(3,636)	(3,742)
Effect of provincial tax rate changes	(65)	(6,013)
Other	21	(155)
Change to tax basis in excess of book basis	44,549	18,097
Total tax expense	\$42,393	\$9,563

# Notes to the Consolidated Financial Statements

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

## 23. Segmented Information

For investment properties, discrete financial information is provided on a property-by-property basis to members of executive management, which collectively comprise the chief operating decision maker ("CODM"). The individual properties are aggregated into segments with similar economic characteristics such as the nature of the property, vacancy rates, long-term growth rates and other characteristics. Management considers that this is best achieved by aggregating into apartments, MHCs and commercial segments. Consequently, Killam is considered to have three reportable segments, as follows:

- Apartment segment - acquires, operates, manages and develops multi-family residential properties across Canada;
- MHC segment - acquires and operates MHC communities in Ontario and Eastern Canada; and
- Commercial segment - includes eight commercial properties.

Killam's administration costs, other income, financing costs, depreciation, fair value adjustments, loss on disposition and deferred tax expense are not reported to the CODM on a segment basis.

The accounting policies of these reportable segments are the same as those described in the summary of significant accounting policies described in note 2. Reportable segment performance is analyzed based on NOI. The operating results, and selected assets and liabilities, of the reportable segments are as follows:

<b>Year ended December 31, 2021</b>	<b>Apartments</b>	<b>MHCs</b>	<b>Commercial</b>	<b>Total</b>
Property revenue	\$254,955	\$18,578	\$17,384	\$290,917
Property operating expenses	(92,899)	(6,824)	(7,959)	(107,682)
<b>Net operating income</b>	<b>\$162,056</b>	<b>\$11,754</b>	<b>\$9,425</b>	<b>\$183,235</b>

<b>Year ended December 31, 2020</b>	<b>Apartments</b>	<b>MHCs</b>	<b>Commercial</b>	<b>Total</b>
Property revenue	\$228,915	\$17,393	\$15,382	\$261,690
Property operating expenses	(83,575)	(6,541)	(7,720)	(97,836)
<b>Net operating income</b>	<b>\$145,340</b>	<b>\$10,852</b>	<b>\$7,662</b>	<b>\$163,854</b>

<b>As at December 31, 2021</b>	<b>Apartments</b>	<b>MHCs</b>	<b>Commercial</b>	<b>Total</b>
Total investment properties <sup>(1)</sup>	\$4,154,201	\$231,370	\$155,306	\$4,540,877
Mortgages payable/construction loans	\$1,865,925	\$83,013	\$43,992	\$1,992,930

<b>As at December 31, 2020</b>	<b>Apartments</b>	<b>MHCs</b>	<b>Commercial</b>	<b>Total</b>
Total investment properties <sup>(1)</sup>	\$3,390,089	\$212,699	\$139,130	\$3,741,918
Mortgages payable/construction loans	\$1,562,861	\$84,150	\$26,023	\$1,673,034

<sup>(1)</sup> Total investment properties for the Apartments segment includes IPUC and land held for development.

# Notes to the Consolidated Financial Statements

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

## 24. Supplemental Cash Flow Information

	For the years ended December 31,	
	2021	2020
<b>Net income items related to investing and financing activities</b>		
Interest paid on mortgages payable and other	\$47,212	\$44,376
Interest paid on credit facilities	1,063	671
	<b>\$48,275</b>	<b>\$45,047</b>
<b>Net change in non-cash operating assets and liabilities</b>		
Rent and other receivables	(\$1,207)	\$2,464
Other current assets	669	(794)
Accounts payable and other liabilities	16,007	12,292
	<b>\$15,469</b>	<b>\$13,962</b>

## 25. Financial Instruments and Financial Risk Management Objectives and Policies

Killam's principal financial liabilities consist of mortgages, credit facilities, construction loans and trade payables. The main purpose of these financial liabilities is to finance investment properties and operations. Killam has various financial assets, such as tenant receivables, which arise directly from its operations.

### Fair Value of Financial Instruments

Fair value is the amount that would be received in the sale of an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of interest-bearing financial assets and liabilities is determined by discounting the contractual principal and interest payments at estimated current market interest rates for the instrument. Current market rates are determined by reference to current benchmark rates for similar term and current credit spreads for debt with similar terms and risks. For certain of the Trust's financial instruments the carrying value represents fair value due to the short term nature including, loan receivable, construction loans and credit facilities, and as such these items are not included in the table below. The fair values of the Trust's financial instruments were determined as follows:

(i) the fair values of the mortgages payable are estimated based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts Killam might pay or receive in actual market transactions;

(ii) the fair value of the deferred unit-based compensation and the Exchangeable Units is estimated at the reporting date, based on the closing market price of the Trust Units listed on the TSX. The performance based RTUs are determined using a pricing model. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in estimates could significantly affect fair values;

(iii) the fair value of the derivative is calculated based on an estimate of the mid-market arbitrage-free price of the swap. The arbitrage-free price comprises the present value of the future rights and obligations between two parties to receive or deliver future cash flows or exchange other assets or liabilities. Future obligations are valued as the sum of the present values as of the valuation date of contractually fixed future amounts and expected variable future amounts, the expected size of which is calculated from the projected levels of underlying variables. Future rights are valued as the sum of the present values of the expected values of contingent future amounts, the existence and size of which are calculated from the projected levels of underlying variables.

# Notes to the Consolidated Financial Statements

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

## 25. Financial Instruments and Financial Risk Management Objectives and Policies (continued)

The significant financial instruments and their carrying values as at December 31, 2021, and December 31, 2020, are as follows:

As at  Classification	December 31, 2021		December 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial liabilities carried at amortized cost:</b>				
Mortgages and loans payable <sup>(1)</sup>	\$1,915,334	\$1,964,015	\$1,631,689	\$1,714,740
<b>Financial liabilities carried at FVTPL:</b>				
Exchangeable Units	\$94,461	\$94,461	\$70,177	\$70,177
Derivative liability <sup>(2)</sup>	\$20	\$20	\$188	\$188
Deferred unit-based compensation	\$6,376	\$6,376	\$4,784	\$4,784

<sup>(1)</sup> Mortgages and loans payable does not include construction loans and credit facilities, the carrying value of these line items represents fair value.

<sup>(2)</sup> The \$0.02 million derivative liability is included in other non-current liabilities within the consolidated statements of financial position (December 31, 2020 - \$0.2 million derivative liability included in other non-current assets).

The interest rates used to discount the estimated cash flows, when applicable, are based on the five-year government yield curve as at December 31, 2021, which is in-line with Killam's weighted average years to maturity of 4.0 years, plus an adequate credit spread, and were as follows:

As at	December 31, 2021	December 31, 2020
Mortgages - Apartments	2.40%	1.31%
Mortgages - MHCs	3.00%	2.31%

### Assets and Liabilities Measured at Fair Value

Fair value measurements recognized in the consolidated statements of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices in active markets for similar assets or liabilities or valuation techniques where significant inputs are based on observable market data.

Level 3: Valuation techniques for which any significant input is not based on observable market data.

The fair value hierarchy of assets and liabilities measured at fair value on a recurring basis in the consolidated statements of financial position is as follows:

As at	December 31, 2021			December 31, 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Assets</b>						
Investment properties	—	—	\$4,540,877	—	—	\$3,741,918
<b>Liabilities</b>						
Exchangeable Units	—	\$94,461	—	—	\$70,177	—
Derivative liability	—	\$20	—	—	188	—
Deferred unit-based compensation	—	\$4,859	\$1,517	—	\$3,601	\$1,183

Transfers between levels in the fair value hierarchy are recognized on the date of the event or change in circumstances that caused the transfer. There were no transfers of assets or liabilities between Level 1, Level 2 and Level 3 during the year ended December 31, 2021.

# Notes to the Consolidated Financial Statements

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

## 25. Financial Instruments and Financial Risk Management Objectives and Policies (continued)

### Risk Management

Killam may enter into derivative transactions, primarily interest rate swap contracts to manage interest rate risk arising from fluctuations in bond yields, as well as natural gas and oil swap contracts to manage price risk arising from fluctuations in these commodities. It is, and has been, Killam's policy that no speculative trading in derivatives shall be undertaken. The main risks arising from Killam's financial instruments are interest rate risk, credit risk and liquidity risk. These risks are managed as follows:

#### (i) Interest Rate Risk

Killam is exposed to interest rate risk as a result of its mortgages and loans payable; however, this risk is mitigated through Management's strategy to structure the majority of its mortgages in fixed-term arrangements, as well as, at times, entering into cash flow hedges. Killam also structures its financings so as to stagger the maturities of its debt, minimizing the exposure to interest rate volatility in any one year.

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

Killam's fixed mortgage debt, which matures in the next 12 months, totals \$164.5 million. Assuming these mortgages are refinanced at similar terms, except at a 100 bps increase in interest rates, financing costs would increase by \$1.6 million per year.

#### (ii) Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease term commitments. Killam mitigates the risk of credit loss through the diversification of its existing portfolio and limiting its exposure to any one tenant.

Credit assessments are conducted for all prospective tenants and Killam also obtains a security deposit to assist in potential recoveries. In addition, receivable balances are monitored on an ongoing basis. Killam's bad debt expense experience has historically been less than 0.3% of revenue. None of Killam's tenants account for more than 4% of the tenant receivables as at December 31, 2021 or 2020.

Killam has considered the cash flow difficulties that may be experienced by commercial and residential tenants due to the impact of COVID-19 and the probability of default and has adjusted its exposure in an allowance for doubtful accounts. The amount adjusted is immaterial.

#### (iii) Liquidity Risk

Management manages Killam's cash resources based on financial forecasts and anticipated cash flows. Killam structures its financing so as to stagger the maturities of its debt, thereby minimizing Killam's exposure to liquidity risk in any one year. In addition, Killam's apartments qualify for Canadian Mortgage and Housing Corporation ("CMHC") insured debt, reducing the refinancing risk upon mortgage maturities. Killam's MHCs and commercial assets do not qualify for CMHC insured debt; however, these assets access to conventional mortgage debt. Management does not anticipate liquidity concerns on the maturity of its mortgages as funds continue to be accessible in the multi-residential sector.

During the year ended December 31, 2021, Killam refinanced \$124.0 million of maturing apartment mortgages with new mortgages totaling \$172.3 million, generating net proceeds of \$48.3 million. In addition, during the year ended December 31, 2021, Killam refinanced \$8.0 million of maturing MHC and commercial mortgages with new mortgages totaling \$12.2 million, generating net proceeds of \$4.2 million. The following table presents the principal payments (excluding interest) and maturities of Killam's liabilities for the next five years and thereafter:

For the twelve months ending December 31,	Mortgage and loans payable	Construction loans <sup>(1)</sup>	Credit facilities <sup>(2)</sup>	Total
2022	236,943	77,596	—	314,539
2023	329,091	—	—	329,091
2024	337,872	—	61,730	399,602
2025	352,522	—	—	352,522
2026	218,936	—	—	218,936
Thereafter	477,788	—	—	477,788
	\$1,953,152	\$77,596	\$61,730	\$2,092,478

<sup>(1)</sup> Construction loans are demand loans, but expected to be repaid once construction is complete and rental targets achieved. Once these targets are achieved each construction loan will be repaid in full and is expected to be replaced with conventional mortgages.

<sup>(2)</sup> Killam's \$155.0 million credit facility was amended and extended on December 15, 2021.

# Notes to the Consolidated Financial Statements

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

## 26. Capital Management

The primary objective of Killam's capital management is to ensure a healthy capital structure to support the business and maximize unitholder value. Killam manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, Killam may adjust the distribution payment to unitholders, issue additional Units, issue debt securities or adjust mortgage financing on properties.

Killam's primary measure of capital management is the total debt as a percentage of total assets ratio. Killam's strategy, as outlined in the operating policies of its DOT, is for its overall indebtedness not to exceed 70% of total assets. The calculation of total debt as a percentage of total assets is summarized as follows:

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

<sup>(1)</sup> Excludes right of use asset of \$9.6 million as at December 31, 2021 (December 31, 2020 - \$9.6 million).

The above calculation 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 <sup>(1)</sup>	Total Assets	Total Debt as % of Total Assets	Change (bps)
(0.50)%	\$5,158,358	\$5,186,384	39.6%	(540)
(0.25)%	\$4,882,245	\$4,910,271	41.8%	(310)
—%	\$4,540,877	\$4,568,903	45.0%	—
0.25%	\$4,161,252	\$4,189,278	49.0%	410
0.50%	\$3,964,314	\$3,992,340	51.5%	650

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

## 27. Commitments and Contingencies

Killam is subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance. Management believes that the final outcome of such matters will not have a material adverse effect on the financial position, results of operations or liquidity of Killam. However, actual outcomes may differ from Management's expectations.

Killam purchased a 10% interest of a planned four-phase 829-unit development project in Calgary, Alberta in 2018. Phase 1 was completed in January 2021 and Killam purchased the remaining 90% interest in the 233 unit property on January 21, 2021. Construction of Phase II commenced in December 2021 and Killam has a \$65.0 million commitment in place to purchase the remaining 90% interest following completion of construction and the achievement of certain conditions.

Killam entered into a supply contract for natural gas to hedge its own usage, which is summarized below:

Area	Utility	Usage Coverage	Term	Cost
Ontario	Gas	25%	December 1, 2021 - October 31, 2023	\$4.70/GJ
Alberta	Gas	25%	December 1, 2021 - November 30, 2023	\$3.81/GJ

# Notes to the Consolidated Financial Statements

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

## 28. Financial Guarantees

Killam is the guarantor on a joint and several basis for mortgage debt held through its joint operations. As at December 31, 2021, the maximum potential obligation resulting from these guarantees is \$75.1 million, related to long term mortgage financing (December 31, 2020 - \$83.1 million). The loans held through its joint operations are secured by a first ranking mortgage over the associated investment properties. Killam's portion of the total mortgages for these properties are recorded as a mortgage liability on the consolidated statements of financial position.

Management has reviewed the contingent liability associated with its financial guarantee contracts and, as at December 31, 2021, determined that a provision is not required to be recognized in the consolidated statements of financial position (December 31, 2020 - \$nil).

## 29. Comparative Figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current period. Killam reclassified on the consolidated statement of income and comprehensive income, salary expenses of \$0.8 million from "administration" to "operating expenses" to reflect the nature of these expenses for the year ended December 31, 2020.

## 30. Related Party Transactions

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

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

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

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

## 31. Subsequent Events

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

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

# FIVE-YEAR SUMMARY

In thousands (except per unit)

<b>Statement of Income Information</b>	<b>2021</b>	2020	2019	2018	2017
Revenue	<b>\$290,917</b>	\$261,690	\$242,164	\$215,959	\$187,377
Operating expenses	<b>(\$107,682)</b>	(\$97,836)	(\$89,828)	(\$80,247)	(\$72,157)
Net operating income	<b>\$183,235</b>	\$163,854	\$152,336	\$135,712	\$115,220
Other income	<b>\$1,059</b>	\$641	\$6,059	\$965	\$847
Financing costs	<b>(\$51,521)</b>	(\$48,919)	(\$47,443)	(\$42,648)	(\$34,846)
Administration	<b>(\$15,988)</b>	(\$13,936)	(\$14,881)	(\$14,201)	(\$12,958)
Depreciation	<b>(\$573)</b>	(\$630)	(\$720)	(\$859)	(\$787)
Fair value adjustments	<b>\$211,708</b>	\$54,620	\$230,079	\$127,877	\$56,202
Loss on disposition	<b>\$-</b>	\$-	(\$1,269)	(\$197)	(\$259)
Deferred tax expense	<b>(\$42,393)</b>	(\$9,590)	(\$40,636)	(\$31,478)	(\$18,659)
Net income	<b>\$285,527</b>	\$146,040	\$283,525	\$175,171	\$104,760
Net income attributable to unitholders	<b>\$285,514</b>	\$146,024	\$283,536	\$175,144	\$104,732

<b>Funds From Operations (FFO)</b>	<b>2021</b>	2020	2019	2018	2017
FFO	<b>\$119,235</b>	\$104,678	\$93,884	\$81,808	\$69,873
FFO per unit (diluted)	<b>\$1.07</b>	\$1.00	\$0.98	\$0.94	\$0.90

<b>Statement of Financial Position Information</b>	<b>2021</b>	2020	2019	2018	2017
Total assets	<b>\$4,578,507</b>	\$3,776,560	\$3,380,100	\$2,824,406	\$2,311,210
Total liabilities	<b>\$2,467,038</b>	\$2,008,302	\$1,777,733	\$1,655,456	\$1,343,488
Total equity	<b>\$2,111,469</b>	\$1,768,258	\$1,602,367	\$1,168,950	\$967,722

<b>Statement of Cash Flow Information</b>	<b>2021</b>	2020	2019	2018	2017
Cash provided by operating activities	<b>\$140,860</b>	\$123,514	\$95,208	\$89,738	\$82,916
Cash provided by financing activities	<b>\$354,873</b>	\$224,396	\$149,708	\$237,657	\$154,460
Cash used in investing activities	<b>(\$497,854)</b>	(\$358,155)	(\$232,904)	(\$335,606)	(\$250,028)

<b>Unit Information<sup>(1)</sup></b>	<b>2021</b>	2020	2019	2018	2017
Weighted average number of units (diluted) <sup>(1)</sup>	<b>111,626</b>	104,503	95,914	87,185	78,658
Units outstanding at December 31 <sup>(1)</sup>	<b>114,562</b>	107,314	102,017	90,212	84,428
Unit price at December 31	<b>\$23.59</b>	\$17.11	\$18.94	\$15.89	\$14.22
Market Capitalization at December 31 <sup>(1)</sup>	<b>\$2,702,511</b>	\$1,836,143	\$1,932,201	\$1,433,469	\$1,200,566

(1) Includes Trust Units and Exchangeable Units.



## Our Team



**Left to Right** | Philip Fraser (President & CEO), Michael McLean (SVP, Developments), Jeremy Jackson (VP, Marketing), Carrie Curtis (VP, Ontario & Alberta), Nancy Alexander (VP, Investor Relations & Sustainability), Dale Noseworthy (CFO), Brian Jessop (VP, Operations), Ruth Buckle (SVP, Property Management), Colleen McCarville (VP, Human Resources), Robert Richardson (EVP), and Erin Cleveland (SVP, Finance).

## Board of Trustees

### PHILIP FRASER

President & CEO,  
Killam Apartment REIT  
Halifax, Nova Scotia

### ROBERT KAY

Chairman of the Board,  
Killam Apartment REIT  
Chairman,  
Springwall Group International  
and Springwall Sleep Products Inc.  
Moncton, New Brunswick

### ALDÉA LANDRY<sup>(2)(3)</sup>

President, Landal Inc.  
Moncton, New Brunswick

### JAMES LAWLEY

President, Salters Gate Developments  
Halifax, Nova Scotia

### ARTHUR LLOYD

President, ADAM Capital  
Calgary, Alberta

### DOUG MACGREGOR<sup>(2)</sup>

Trustee  
Toronto, Ontario

### Laurie MacKeigan, CPA, CA, CPA (IL)<sup>(1)(3)</sup>

President, Backman Vidcom  
Halifax, Nova Scotia

### KARINE MACINDOE<sup>(1)(3)</sup>

Trustee  
Toronto, Ontario

### ROBERT RICHARDSON, FCPA, FCA

Executive Vice President,  
Killam Apartment REIT  
Halifax, Nova Scotia

### MANFRED WALT, CPA, CA<sup>(1)(2)</sup>

President & CEO,  
Walt & Co. Inc.  
Toronto, Ontario

*(1) Member of the Audit Committee*

*(2) Member of the Governance and ESG Committee*

*(3) Member of the Compensation Committee*

*(4) Killam's distribution increased to \$0.70 per unit annually effective with the September 2021 distribution*

## Trust Information

### AUDITORS

**Ernst & Young, LLP**  
Halifax, Nova Scotia

### SOLICITORS

**Bennett Jones, LLP**  
Calgary, Alberta  
**Stewart McKelvey**  
Halifax, Nova Scotia

### REGISTER AND TRANSFER AGENT

**Computershare Investor Services Inc.**  
1500 Robert-Bourassa Blvd.  
7th Floor  
Montreal, Quebec  
H3A 3S8

### UNIT LISTING

**Toronto Stock Exchange (TSX)**  
**Trading Symbol: KMP.UN**

### 2021 ANNUAL DISTRIBUTION<sup>(4)</sup>

**\$0.69 per unit**

### HEAD OFFICE

3700 Kempt Road  
Suite 100  
Halifax, NS B3K 4X8  
902.453.9000  
866.453.8900

### INVESTOR INQUIRIES

investorrelations@killamreit.com  
902.442.0374

## ANNUAL MEETING

The Annual Meeting of  
Unitholders will be held on

**Friday, May 6, 2022**

**9:00 am Atlantic Time**

**Courtyard by Marriott**

**5120 Salter Street, Halifax, NS**

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