

## Management's Discussion and Analysis

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

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

Year of Maturity	Apartments			MHCs		Total	
	Balance December 31, 2013	Weighted Avg Int Rate %	% CMHC Insured	Balance December 31, 2013	Weighted Avg Int Rate %	Balance December 31, 2013	Weighted Avg Int. Rate %
2014	127,719	4.50	56.4	13,666	5.63	141,385 <sup>(1)</sup>	4.61
2015	90,345	4.47	68.8	4,238	5.19	94,583	4.50
2016	108,072	4.28	50.7	3,286	5.09	111,358	4.30
2017	27,386	3.21	100.0	18,082	4.64	45,468	3.78
2018	83,158	3.66	47.7	13,462	4.34	96,620	3.76
2019	53,366	3.52	100.0	-	-	53,366	3.52
2020	19,871	4.09	100.0	-	-	19,871	4.09
2021	23,736	3.79	88.8	-	-	23,736	3.79
2022	24,529	3.16	100.0	-	-	24,529	3.16
Thereafter	95,364	3.48	100.0	-	-	95,364	3.48
	<u>\$653,546</u>	<u>3.98</u>	<u>72.0</u>	<u>\$52,735</u>	<u>4.89</u>	<u>\$706,281</u>	<u>4.05</u>

(1) Includes \$2.1 million related to a demand loan classified as current.

As at December 31, 2013, approximately 72% of the Company's apartment mortgages were CMHC insured (67% of all mortgages as MHC properties are not eligible for CMHC insurance) (December 31, 2012 – 61% and 53%). The weighted average interest rate on the CMHC insured mortgages was 3.67% as at December 31, 2013 (December 31, 2012 – 3.98%).

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

The following table presents the NOI of properties that are available to Killam to refinance at debt maturity for 2014 and for 2015. With \$139.3 million in mortgages maturing in 2014, Management is evaluating opportunities to fix interest rates before maturity to lock in savings on refinancings. Killam's 2014 mortgage maturities are skewed toward the first half of the year and the Company has already completed refinancings or locked in interest rates for maturing mortgages representing \$34.2 million of the maturing debt at a weighted average interest rate of 2.64%.

	Number of Properties	NOI	Principal Balance (at maturity)
<b>2014</b>			
Apartments with debt maturing in 2014	41	\$18,392	\$125,976
MHCs with debt maturing in 2014	7	2,254	13,278
2014 debt maturities	48	\$20,646	\$139,254
<b>2015</b>			
Apartments with debt maturing in 2015	34	\$12,779	\$82,782
MHCs with debt maturing in 2015	4	792	4,652
2015 debt maturities	38	\$13,571	\$87,434