

Management's Discussion and Analysis

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

A sensitivity analysis of all significant assumptions is shown below:

| Class of property | Capitalization rate | | Vacancy rate ⁽¹⁾ | Management fee rate ⁽¹⁾ |
|-------------------|--------------------------|--------------------------|---------------------------------|--|
| | 10 basis points increase | 10 basis points decrease | 1% increase/decrease in vacancy | 1% increase/decrease in management fee |
| Apartments | \$(22,408) | \$22,947 | \$21,055 | \$22,206 |
| MHCs | \$(1,659) | \$1,708 | \$1,483 | \$1,932 |

(1) If the 1% change is an increase in the noted vacancy or management fee, the impact would result in a decrease in value. Alternatively, a decrease in the vacancy or management fee would result in an increase in value.

2013 Acquisitions - Investment Properties

| Property | Location | Acquisition Date | Year Built | Units | Purchase Price ⁽²⁾ |
|---------------------------------------|---------------|------------------|------------|-----------|-------------------------------|
| <u>Apartments</u> | | | | | |
| 1090 Kristin Way | Ottawa | 25-Jan-13 | 1974 | 102 | \$10,350 |
| 200 Royale Blvd. | Halifax | 4-Mar-13 | 2012 | 83 | 18,900 |
| 46 & 54 Strathmore Ave | Moncton | 28-Mar-13 | 2001 | 40 | 3,150 |
| 777 Gauvin Road | Moncton | 13-May-13 | 2013 | 48 | 8,060 |
| 36 Westridge Crescent ⁽¹⁾ | Charlottetown | 21-May-13 | 1985 | 8 | 256 |
| 280 Shakespeare Drive ⁽¹⁾ | Stratford | 21-May-13 | 2010 | 26 | 3,059 |
| 39-66 Ducks Landing ⁽¹⁾ | Stratford | 21-May-13 | 2005-2012 | 138 | 15,385 |
| 1033 Queen Street West ⁽⁴⁾ | Toronto | 31-Jul-13 | 2012 | 179 | 40,000 |
| 50 Cameron Street | Moncton | 5-Dec-13 | 1981 | 81 | 9,700 |
| 50 Roy Boates Avenue | Summerside | 6-Dec-13 | 2006 | <u>38</u> | <u>3,946</u> |
| | | | | 743 | \$112,806 |
| <u>MHC</u> | | | | | |
| Shamrock Estates | Antigonish | 20-Dec-13 | | 65 | \$1,350 |
| <u>Land for developments</u> | | | | | |
| Saginaw Parkway | Cambridge | 16-Jan-13 | | | \$4,000 |
| St. George Street | Moncton | 15-Feb-13 | | | 1,100 |
| 1057 Barrington Street ⁽³⁾ | Halifax | 13-Sept-13 | | | <u>1,810</u> |
| | | | | | \$6,910 |
| Total Acquisitions | | | | | \$121,066 |

(1) Acquired as a portfolio.

(2) Purchase price on acquisition does not include transaction-related costs.

(3) Killam entered into a 50/50 joint development agreement with another company for the purchase of this land. The \$1.8 million purchase price represents Killam's interest in the land.

(4) Included in the acquisition is 21,242 square feet of commercial space.

In addition to apartment acquisitions during 2013, Killam purchased a MHC in Antigonish with 65 sites and three parcels of land for future development. The parcel of land located in Cambridge is 5.2 acres and is zoned for a maximum height of seven stories and a density of 180 units. The parcel of land in Moncton is 0.8 acres and the land located at 1057 Barrington Street in Halifax is 0.7 acres and was purchased under a joint development agreement for the purpose of developing a six-story mixed-use building.