No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This preliminary short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada other than the Province of Québec but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

The securities offered by this short form prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or applicable state securities laws, and, subject to certain exceptions and in compliance with registration requirements of the U.S. Securities Act and applicable state securities laws or pursuant to exemptions therefrom, may not be offered for purchase or sale, sold, transferred or otherwise disposed of directly or indirectly within the United States of America, its territories or possessions. This short form prospectus does not constitute an offer to sell or solicitation of an offer to buy any of these securities in the United States of America, its territories or possessions. See "Plan of Distribution".

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Killam Properties Inc. at 3700 Kempt Road, Suite 100, Halifax, Nova Scotia, B3K 4X8 ((902) 453-9000), and are also available electronically at www.sedar.com.*

Preliminary Short Form Prospectus

New Issue **June 1, 2007**

KILLAM PROPERTIES INC

$60,003,500
5,854,000 Common Shares

This short form prospectus qualifies the distribution of 5,854,000 common shares (the "Offered Shares") of Killam Properties Inc. ("Killam" or the "Corporation") at a price of $10.25 per Offered Share (the "Offering"). The offering price per Offered Share of $10.25 was determined by negotiation between the Corporation and RBC Dominion Securities Inc. and Canaccord Capital Corporation, as co-lead underwriters, on their own behalf and on behalf of Scotia Capital Inc., BMO Nesbitt Burns Inc., TD Securities Inc., Desjardins Securities Inc., Genuity Capital Markets, Blackmont Capital Inc., Beacon Securities Limited, M. Partners Inc. and Trilon Securities Corporation (collectively the "Underwriters").

The outstanding common shares of the Corporation are listed for trading on the Toronto Stock Exchange (the "TSX") under the symbol "KMP". On May 28, 2007, the last trading day before the announcement of the Offering, the closing price of the common shares of the Corporation on the TSX was $10.57. The Corporation has applied to list the Offered Shares on the TSX. Listing will be subject to the Corporation fulfilling the applicable listing requirements of the TSX.

Price: $10.25 per Common Share

	Price to Public	Underwriting Fee[1]	Net Proceeds to Corporation[2]
Per Offered Share	$10.25	$0.41	$9.84
Total[3]	$60,003,500	$2,400,140	$57,603,360

Notes:

(1) In consideration for the services rendered by the Underwriters in connection with the Offering, the Corporation has agreed to pay the Underwriters a fee (the "Underwriting Fee") representing 4% of the gross proceeds of the Offering.

(2) After deducting the Underwriting Fee, but before deducting expenses of the Offering, estimated to be $275,000, which will be paid from the gross proceeds of the Offering.

(3) The Corporation has granted the Underwriters an over-allotment option (the "Over-Allotment Option") exercisable in whole or in part at the sole discretion of the Underwriters, at any time until the date which is 30 days from the Closing (as defined below) to purchase up to an additional 585,400 Offered Shares at a price of $10.25 per Offered Share (the "Additional Offered Shares"), solely to cover over-allotments, if any, and for market stabilization purposes. In respect of the Over-Allotment Option, the Corporation will pay to the Underwriters a fee equal to 4% of the gross proceeds realized on the exercise of the Over-Allotment Option. If the Over-

Allotment Option is exercised in full, the total number of Offered Shares in the Offering will be 6,439,400, the total "Price to the Public" will be $66,003,850, the total Underwriting Fee will be approximately $2,640,154 and the "Net Proceeds to the Corporation", before deducting the estimated expenses of the Offering, will be approximately $63,363,696, respectively. This short form prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Additional Offered Shares to be issued or sold upon exercise of the Over-Allotment Option. See "Plan of Distribution".

The following table sets out the number of options that have been issued or may be issued by the Corporation to the Underwriters:

Underwriters' Position	Maximum Size	Exercise Period	Exercise Price
Over-Allotment Option	**585,400 Offered Shares**	**Up to 30 days from the Closing of the Offering**	**$10.25**

It is important for an investor to consider the particular risk factors that may affect the industry in which it is investing and therefore the stability of the distributions that it receives. See, for example "Real Estate Industry Risk", "Cyclicality of Revenue", "Competition for Real Property Investments", "Future Acquisitions of Real Property Investments" and "Availability of Cash Flow" under "Risk Factors" contained in the AIF (as hereinafter defined). That section also describes Killam's assessment of those risk factors, as well as the potential consequences to an investor if a risk described in that section should occur.

The Underwriters, as principals, conditionally offer the Offered Shares, subject to prior sale, if, as and when issued by the Corporation and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution", subject to approval of certain legal matters on behalf of the Corporation by Bennett Jones LLP and on behalf of the Underwriters by Stikeman Elliott LLP. Subscriptions for Offered Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. In connection with the distribution of the Offered Shares, the Underwriters may engage in market stabilization activities subject to applicable market stabilization laws. See "Plan of Distribution".

RBC Dominion Securities Inc., BMO Nesbitt Burns Inc. and TD Securities Inc., three of the Underwriters of the Offering, are wholly-owned subsidiaries of Canadian chartered banks, which banks or their subsidiaries are lenders to Killam or subsidiaries of Killam. In addition, RBC Dominion Securities Inc. is owned by a Canadian chartered bank which provides a credit facility to the Corporation. The Corporation currently intends to repay $2,000,000 which is drawn on its acquisition bridge facility with proceeds of the Offering. Consequently, the Corporation may be considered to be a "connected issuer" and "related issuer" of each of RBC Dominion Securities Inc., BMO Nesbitt Burns Inc. and TD Securities Inc. in connection with the Offering under applicable securities laws. See "Use of Proceeds" and "Relationship Between Killam and Certain of the Underwriters".

Closing of the Offering is anticipated to occur on or about June 19, 2007, or such later date as Killam and the Underwriters' may agree (the "Closing"). At the Closing, the Offered Shares qualified for distribution under this short form prospectus will be available for delivery in book-entry form through the CDS Clearing and Depository Services Inc. ("CDS") or, its nominee, and will be deposited with CDS on the date of Closing. Purchasers of Offered Shares will receive only a customer confirmation from the registered dealer that is a CDS participant and from or through which the Offered Shares are purchased and shall not have the right to receive physical certificates evidencing their ownership of the Offered Shares.

Investors should rely only on the information contained in or incorporated by reference in this short form prospectus. The Corporation has not authorized anyone to provide investors with different information. The Corporation is not offering the Offered Shares in any jurisdiction in which the offer is not permitted. Investors should not assume that the information contained in this short form prospectus is accurate as of any date other than the date of this short form prospectus.

The head office of Killam is located at 3700 Kempt Road, Suite 100, Halifax, Nova Scotia, B3K 4X8 and the registered office is located at 2571 Windsor Street, Halifax, Nova Scotia, B3K 5C4.

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FORWARD-LOOKING STATEMENTS

Certain statements contained in this short form prospectus, and in certain documents incorporated by reference into this short form prospectus, contain forward-looking statements. These statements relate to, but are not limited to, Killam's expectations, intentions, plans and beliefs. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors, including but not limited to: competition within each of the Corporation's business segments; general and local economic and business conditions; the financial condition of Killam's tenants; Killam's ability to refinance maturing debt; interest rate fluctuations; and the availability of capital to fund further investments in the Corporation's business, as well as those discussed under the heading "Risk Factors" in the Corporation's AIF incorporated by reference into this short form prospectus. Actual results or events may differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this short form prospectus should not be unduly relied upon. These statements speak only as of the date of this short form prospectus or as of the date specified in the documents incorporated by reference into this short form prospectus, as the case may be. Except as may be required by law, the Corporation does not intend, and does not assume any obligation, to update these forward-looking statements. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

NON-GAAP FINANCIAL MEASURES

Funds from operations ("FFO"), net operating income and same store results are not measures recognized under Canadian generally accepted accounting principles ("GAAP") and do not have any standardized meanings prescribed by GAAP. FFO, net operating income and same store results are presented in this short form prospectus and the documents incorporated by reference in this short form prospectus because management of Killam believes that such measures are relevant measures of financial performance. FFO, net operating income and same store results, as computed by Killam, may differ from similar computations as reported by other similar organizations and accordingly, may not be comparable to FFO, net operating income or same store results as reported by such organizations. FFO is calculated as net (loss) income plus amortization, stock compensation, non-cash debenture interest and future income taxes. Net operating income is calculated as operating revenue less property operating expenses. Same store results are operating revenues and property operating expenses for stabilized properties that Killam has owned for equivalent periods in consecutive years. FFO, net operating income and same store results should not be construed as alternatives to net income, cash provided by operating activities, or other financial measures determined in accordance with GAAP, as an indicator of Killam's performance.

ELIGIBILITY FOR INVESTMENT

In the opinion of Bennett Jones LLP, counsel to Killam, and Stikeman Elliot LLP, counsel to the Underwriters, provided the Offered Shares are listed on a prescribed stock exchange (which includes the TSX), the Offered Shares would be qualified investments under the *Income Tax Act* (Canada) (the "Tax Act") for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans and deferred profit sharing plans, each as defined in the Tax Act.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Killam at 3700 Kempt Road, Suite 100, Halifax, Nova Scotia B3K 4X8 (telephone: (902) 453-9000). In addition, copies of documents incorporated by reference may be obtained from the securities commissions or similar authorities in Canada through the SEDAR website at www.sedar.com.

The following documents of the Corporation are specifically incorporated by reference in this short form prospectus:

(a) the management information circular of the Corporation dated April 11, 2007, prepared in connection with the annual meeting of shareholders held on May 10, 2007;

(b) the annual information form of the Corporation dated March 30, 2007 (the "AIF");

(c) the comparative consolidated financial statements of the Corporation for the fiscal years ended December 31, 2006 and December 31, 2005, together with the notes thereto and the auditors' report thereon;

(d) management's discussion and analysis of financial condition and results of operations of the Corporation as at and for the year ended December 31, 2006;

(e) the unaudited comparative consolidated financial statements of the Corporation, as at and for the three months ended March 31, 2007, together with the notes thereto;

(f) management's discussion and analysis of financial condition and results of operations of the Corporation as at and for the three months ended March 31, 2007;

(g) the material change report dated January 30, 2007 relating to the commencement of the Corporation's dividend policy;

(h) the material change report dated May 28, 2007 relating to the consolidation of the Corporation's common shares on a one for four basis; and

(i) the material change report dated May 31, 2007 related to the Offering.

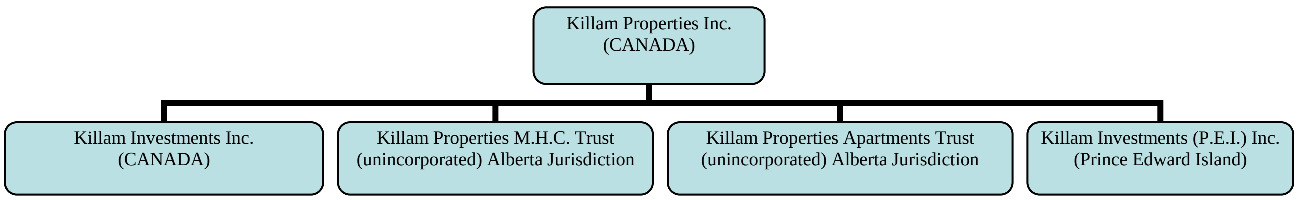
Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this short form prospectus, to the extent that a statement contained herein or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed in its unmodified or superseded form to constitute part of this short form prospectus.

Any documents of the type required by National Instrument 44-101 to be incorporated by reference into a prospectus, including any material change reports (except confidential material change reports), financial statements and related "managements' discussion and analysis" and information circulars filed by the Corporation after the date of this short form prospectus and before the termination of the distribution are deemed to be incorporated by reference in this short form prospectus.

DESCRIPTION OF THE BUSINESS

Business of the Corporation

Killam is a real estate corporation incorporated under the *Canada Business Corporations Act* and specializing in the acquisition, redevelopment and management of multi-family residential apartment buildings in Atlantic Canada and manufactured home communities throughout Canada. Killam's registered and records office is located at 2571 Windsor Street, Halifax, Nova Scotia, B3K 5C4 and its head office is located at 3700 Kempt Road, Suite 100, Halifax, Nova Scotia, B3K 4X8. The accompanying organization chart presents the Corporation's principal subsidiaries as at December 31, 2006 including jurisdiction of incorporation. The Corporation beneficially owns and controls 100% of the voting shares of all of its subsidiaries.



Business Strategy

The business strategy of the Corporation is to acquire, re-develop and manage multi-family residential real estate properties in Atlantic Canada and manufactured home communities throughout Canada. As at March 31, 2007, Killam owned a portfolio of 14,782 units (December 31, 2006, 14,093 units), including 8,036 apartment units and 6,746 manufactured home community ("MHC") units.

The Corporation's stated business objectives are to build a portfolio of multi-family residential real estate properties and manufactured home communities, generate a positive cash flow and increase the underlying net asset value of the properties it owns and manages.

Principal Asset Classes of the Corporation

Multi-family Apartments

The Corporation acquires and manages multi-family residential properties as they offer:

- a stable cash flow from a diverse tenant group;
- accessible and low cost Canada Mortgage and Housing Corporation ("CMHC") guaranteed financing;
- consistently low vacancy across Canada;
- low lease-up costs relative to other real estate asset classes; and
- an asset class that is historically resistant to market downturns.

The apartment properties held by Killam at March 31, 2007 are primarily low-rise and high-rise buildings, with some townhouse complexes, principally located in the six largest urban centres in Atlantic Canada: (i) Halifax, Nova Scotia; (ii) Saint John, New Brunswick; (iii) Moncton, New Brunswick; (iv) Fredericton, New Brunswick; (v) St. John's, Newfoundland; and (vi) Charlottetown, Prince Edward Island. Killam's building mix and average property age of approximately 28 years is representative of the markets in each of its core cities. The Corporation owns 100% of the assets in all but two of its apartments, and no one property represents more than 10% of the overall rental revenue of the Corporation. The average rent per unit for the entire apartment portfolio at March 31, 2007 was $690 per month.

Manufactured Home Communities

The Corporation also acquires and manages MHCs, also know as land lease communities or trailer parks, throughout Canada. Killam owns the land and infrastructure supporting each community, including utility connections, streets, lighting, driveways, common area amenities and other capital improvements. The Corporation leases the lot to the tenant, who owns their own home and pays Killam monthly lot rent. The average lot rent for the entire MHC portfolio at March 31, 2007 was $207 per month.

The Corporation believes that MHCs are an asset class that has been overlooked in Canada, and add diversity, stability and growth opportunities to Killam's apartment portfolio. Features that Killam believes are specific to MHCs include:

- consolidation opportunities owing to fragmented ownership across Canada;
- stable and predictable operations with low tenant turnover of approximately 1% (when a tenant chooses to leave a community, the tenant typically sells their home, which remains on the site, and Killam collects rent on an uninterrupted basis);
- high margin business with low capital requirements (MHC homeowners are responsible for repairs, maintenance and operating costs, which removes a significant variable cost typically borne by Killam with apartments);
- consistently strong occupancy rates of approximately 99%;
- high barriers to entry due to restrictive zoning; and
- internal growth opportunities through the expansion of existing properties and home sales.

The Corporation's 6,746 MHC units held at March 31, 2007 are located across Canada, with 32% of Killam's units in New Brunswick, 30% in Ontario, 28% in Nova Scotia, 4% in Saskatchewan, 2% in Newfoundland and 4% in Alberta.

Portfolio Summary – By Type

As at March 31, 2007, Killam owned 148 properties totaling 14,782 units. The breakdown between apartments and MHCs is as follows:

As at March 31, 2007	***Capital Assets[1] (000's)***	***Percentage***	***Number of Units***	***Percentage***
Apartments	$501,475	79.4%	8,036	54.4%
Manufactured Home Communities	128,186	20.3%	6,746	45.6%
Corporate	1,626	0.3%	-	-
Total	***$631,287***	***100.0%***	***14,782***	***100.0%***

(1) Based on gross book value

Portfolio Summary – By Location

As at March 31, 2007	***Capital Assets[1] (000's)***	***Percentage***	***Number of Units***	***Percentage***
Halifax	$254,693	40.3%	4,291	29.0%
Moncton	95,567	15.1%	2,228	15.1%
Fredericton	56,553	9.0%	1,336	9.0%
Saint John	53,874	8.5%	1,162	7.9%
Ontario	45,623	7.2%	2,049	13.8%
Prince Edward Island	42,624	6.7%	620	4.2%
Newfoundland	34,473	5.5%	885	6.0%
Other Nova Scotia	30,913	4.9%	1,388	9.4%
Alberta	7,968	1.3%	246	1.7%
Saskatchewan	5,701	0.9%	247	1.7%
Other New Brunswick	1,672	0.3%	330	2.2%
Corporate	1,626	0.3%	-	-
Total	***$631,287***	***100.0%***	***14,782***	***100.0%***

(1) Based on gross book value

Apartment Property Portfolio, as at March 31, 2007

Nova Scotia				Average Rent			% Change(1)	
City	**Property Name**	**Units**	**Year Built**	**March 31, 2007**	**Dec.31, 2006**	**Dec.31, 2005**	**Dec 06 to March 07**	**Dec 05 to Dec 06**
Halifax	10-214 Harlington	60	1978	$676	$672	$645	0.5%	4.2%
Halifax	159 Radcliffe Drive	25	1995	827	827	804	-	2.8%
Halifax	175 - 211 Harlington	60	1978	672	671	645	0.1%	4.1%
Halifax	26 Alton Drive & 36 Kelly Street	80	1969	583	579	532	0.6%	8.9%
Halifax	294 - 300 Main Street	58	1969	631	617	590	2.3%	4.6%
Halifax	3 Dillman	60	1970's	595	593	573	0.3%	3.6%
Halifax	3 Veronica Drive	70	1983	749	748	708	0.2%	5.6%
Halifax	31 Carrington	38	1998	1,044	n/a	n/a	n/a	n/a
Halifax	3565 Connaught	19	1958	691	681	649	1.5%	4.9%
Halifax	50 Barkton Lane	63	1991	699	692	664	1.0%	4.2%
Halifax	5206 Tobin Street	47	1993	875	871	823	0.5%	5.8%
Halifax	57 Westgrove Place	41	1969	664	659	619	0.7%	6.5%
Halifax	59 Glenforest/21 Plateau	153	1978	646	645	609	0.2%	5.8%
Halifax	6 Jamieson	24	1965	630	630	599	-	5.1%
Halifax	67-141 Harlington Crescent	60	1978	665	659	625	0.9%	5.5%
Halifax	75 Knightsridge Drive	41	1986	766	765	716	0.2%	6.8%
Halifax	85-127 Harlington	60	1978	680	673	645	1.1%	4.3%
Halifax	9 Bruce Street	60	1974	506	506	n/a	-0.1%	n/a
Halifax	9 Sybyl Court	22	1975	616	613	583	0.5%	5.1%
Halifax	95 Knightsridge	46	1984	804	820	760	-2.0%	7.9%
Halifax	Bedford Apartments	53	1987	602	594	572	1.4%	3.8%
Halifax	Garden Park	42	1980	927	929	929	-0.2%	-
Halifax	Glenforest Apartments	80	1969	795	795	782	0.1%	1.6%
Halifax	Glenmoir Terrace	28	1972	601	596	567	0.8%	5.2%
Halifax	Hillcrest Apartments	50	1980	671	671	n/a	-	n/a
Halifax	Kent Street Properties	139	1950's	763	763	758	-	0.7%
Halifax	Lakefront Apartments	396	1954	631	627	622	0.6%	0.8%
Halifax	Linden Lea & Pleasant Street	28	1950's	605	600	561	0.9%	6.9%
Halifax	Maplehurst Apartments	268	1965	678	683	666	-0.7%	2.5%
Halifax	Maplehurst Houses	15	1965	706	702	689	0.6%	1.9%
Halifax	Parker Street Apartments	239	1960-75	643	641	625	0.4%	2.5%
Halifax	Parkridge Place	76	2002	862	862	860	-	0.2%
Halifax	Quinpool Court	198	1978	911	906	892	0.6%	1.5%
Halifax	Quinpool Towers	233	1978	895	896	860	-0.1%	4.2%
Halifax	Shaunslieve	154	1978	721	712	711	1.3%	0.1%
Halifax	Sheradon Place	82	1979	754	758	n/a	-0.5%	n/a
Halifax	Spring Garden Terrace	201	1964	938	928	892	1.1%	4.0%
Halifax	Victoria Gardens	198	1954	638	633	629	0.7%	0.7%
Halifax	Waterview Place	82	1971	655	650	624	0.7%	4.2%
Sydney	552 Kings Road	17	1974	535	553	553	-3.3%	-
Sydney	Cabot House	88	1974	751	751	728	-	3.2%
Sydney	Moxham Court	51	1998	828	828	805	-	2.8%

New Brunswick				Average Rent			% Change(1)	
City	**Property Name**	**Units**	**Year Built**	**March 31, 2007**	**Dec.31, 2006**	**Dec.31, 2005**	**Dec 06 to March 07**	**Dec 05 to Dec 06**
Fredericton	127 & 157 Biggs Street	46	1985/92	$718	$703	n/a	2.1%	-
Fredericton	260 Wetmore Road	38	1978	648	651	615	-0.4%	5.8%
Fredericton	50,60 Greenfield & 190 Parkside	72	1977/86	619	619	n/a	-	n/a
Fredericton	75 Greensfield Drive	44	1980	557	556	n/a	0.2%	n/a
Fredericton	969 Regent	62	1997/01	785	765	741	2.6%	3.3%
Fredericton	Elroy Apartments	194	1973	741	740	n/a	0.1%	n/a
Fredericton	Southgate	47	2003	872	854	n/a	2.1%	n/a
Fredericton	Venus Apartments	54	1965	788	764	737	3.1%	3.7%
Fredericton	Westwood Apartments	45	1975	583	582	n/a	0.2%	n/a
Fredericton	Wilsey	48	1975	625	621	602	0.6%	3.2%
Miramichi	Edward Court	96	1993	586	n/a	n/a	n/a	n/a
Moncton	100 Archibald	60	2003	715	727	738	-1.6%	-1.5%
Moncton	101 Archibald	60	1993	672	667	664	0.8%	0.4%
Moncton	108-118 Archibald	2	n/a	638	638	558	-	14.3%
Moncton	1111 Main	16	1957	1,428	1,429	1,407	-0.1%	1.6%
Moncton	276 - 350 Gauvin Road	84	1991-96	620	619	597	0.2%	3.7%
Moncton	364-368 Gauvin Road	80	1995	660	n/a	n/a	n/a	n/a
Moncton	303 Normandie Street	70	1994	731	717	n/a	2.0%	n/a
Moncton	316 Acadie Avenue	48	1996	645	638	n/a	1.1%	n/a
Moncton	360 Acadie Avenue	60	1998	643	632	n/a	1.8%	n/a
Moncton	Buckingham Place	55	1998	718	n/a	n/a	n/a	n/a
Moncton	Cambridge Court	45	1994	779	768	765	1.5%	0.3%
Moncton	Cambridge Place	63	1995	937	963	950	-2.7%	1.4%
Moncton	Cameron Street	81	1966/67	577	570	540	1.2%	5.6%
Moncton	Gordon/Bonaccord Street	41	1984/50	599	586	632	2.2%	-7.2%
Moncton	Lakeview Estates	48	1980/81	581	582	551	-0.2%	5.6%
Moncton	Lorentz	101	1969	660	646	620	2.2%	4.2%
Moncton	Lutz & Kendra Street	40	1950/75	606	618	n/a	-2.0%	n/a
Moncton	Pine Glen Apartments	54	1974	620	619	562	0.2%	10.1%
Moncton	Suffolk Street	80	2000	642	642	n/a	-	n/a
Saint John	53 Somerset Place	16	1973	588	583	575	0.9%	1.4%
Saint John	Carleton Towers	60	1968	589	586	564	0.6%	3.8%
Saint John	Cedar Glen	204	1977	587	543	501	8.0%	8.5%
Saint John	Ellerdale Apartments	154	1975	562	562	560	-	0.4%
Saint John	Fort Howe Apartments	153	1970	688	680	700	1.1%	-2.8%
Saint John	Parkwood	205	1947	566	556	547	1.7%	1.7%
Saint John	Rocky Hill Apartments	42	2004	807	810	861	-0.3%	-6.0%
Saint John	Sydney Arms	54	1961	637	625	602	1.8%	3.9%
Saint John	The Anchorage	51	2003	837	832	827	0.6%	0.6%
Saint John	Woodhaven	24	1977	494	495	480	-0.2%	3.1%
Saint John	Woodward Gardens	99	1962	683	681	684	0.3%	-0.5%

Newfoundland				Average Rent			% Change[1]	
City	**Property Name**	**Units**	**Year Built**	**March 31, 2007**	**Dec.31, 2006**	**Dec.31, 2005**	**Dec 06 to March 07**	**Dec 05 to Dec 06**
Grand Falls	Ridgeview Terrace Apartments	59	1975	$498	$496	$444	0.3%	11.8%
Grand Falls	Terrace Apartments	89	1970/90	677	676	660	0.1%	2.5%
St. John's	Blackshire Court	52	1981	653	651	642	0.3%	1.4%
St. John's	Cornwall Manor	31	1976	525	523	544	0.4%	-3.8%
St. John's	Forest Manor	65	1978	563	549	545	2.6%	0.7%
St. John's	Freshwater Road Apartments	159	1972	516	502	n/a	2.7%	n/a
St. John's	Pleasantview Manor	36	1979	499	492	n/a	1.3%	n/a
St. John's	Torbay Road Apartments	84	1972	523	507	n/a	3.1%	n/a
St. John's	Village Manor	40	1978	566	559	559	1.3%	-
St. John's	Mount Pleasant Manor	100	1976	561	553	552	1.5%	0.1%

Prince Edward Island				Average Rent			% Change[1]	
City	**Property Name**	**Units**	**Year Built**	**March 31, 2007**	**Dec.31, 2006**	**Dec.31, 2005**	**Dec 06 to March 07**	**Dec 05 to Dec 06**
Charlottetown	198 Spring Park Road	32	2006	$1,031	$1,032	n/a	-0.1%	n/a
Charlottetown	27 Longworth Avenue	24	1983	586	578	554	1.3%	4.4%
Charlottetown	505-525 University Ave	35	2003	1,045	1,050	n/a	-0.5%	n/a
Charlottetown	Browns Court	52	1997	943	941	934	0.2%	0.8%
Charlottetown	Burns/University	95	2003	891	891	893	-	-0.2%
Charlottetown	Country Place	39	1998-02	770	757	740	1.8%	2.3%
Charlottetown	DesBarres House	51	1978	527	517	490	1.9%	5.5%
Charlottetown	Kensington Court	105	1990	664	654	643	1.5%	1.7%
Charlottetown	Queen Street	48	1978	556	545	540	2.0%	1.0%
Stratford	Horton Park	69	1987	662	659	646	0.5%	1.9%
Stratford	Shakespeare	22	2004	754	741	730	1.8%	1.5%
Summerside	Nevada Court	48	1995	663	662	658	0.2%	0.6%
Total Apartment Portfolio at March 31, 2007		***8,036***		***$690***	***$684***	***$673***	***0.9%***	***1.6%***

(1) Percentage changes calculated based on average rents to the nearest cent.

MHC Property Portfolio, as at March 31, 2007

Nova Scotia				Average Rent			% Change(1)	
City	**Property Name**	**Sites**	**Acres**	**March 31, 2007**	**Dec.31, 2006**	**Dec.31, 2005**	**Dec 06 to March 07**	**Dec 05 to Dec 06**
Amherst	Amherst	307	67	$141	$135	$134	4.8%	0.4%
Antigonish	Glen Aire Estates	254	130	168	168	151	0.3%	11.0%
Antigonish	Greenhill Estates	62	30	189	189	157	-	20.4%
Halifax	Maple Ridge Park	160	160	205	204	191	0.7%	6.6%
Halifax	Fairview Estates	131	131	277	269	260	3.0%	3.4%
Halifax	Birch Hill	175	73	168	167	n/a	0.5%	n/a
Sydney	Heather Estates	217	72	160	161	145	-0.5%	10.9%
New Glasgow	Cowan Place	38	50	141	140	140	0.7%	-
New Minas	Valley View Hills	195	50	150	149	149	0.7%	-
Halifax	Birchlee Estates	176	42	197	n/a	n/a	n/a	n/a
Port Hawkesbury	Cairdeil Estates	159	37	150	150	129	-	16.2%

New Brunswick				Average Rent			% Change(1)	
City	**Property Name**	**Sites**	**Acres**	**March 31, 2007**	**Dec.31, 2006**	**Dec.31, 2005**	**Dec 06 to March 07**	**Dec 05 to Dec 06**
Edmundston	Park P'Tiso	86	18	$135	$135	n/a	0.3%	n/a
Fredericton	Crown & Currie Park	176	140	193	194	194	-0.6%	-
Fredericton	Tamarack Park	419	75	210	212	n/a	-0.8%	n/a
Fredericton	Burton Park	91	32	200	200	n/a	0.1%	n/a
Moncton	White Frost Estates	211	51	182	183	183	-0.6%	0.1%
Moncton	Pine Tree - Moncton	820	260	220	220	200	-	10.0%
Bathurst	Kent & Bayview	148	123	120	120	n/a	-	n/a
Quispansis	Pine Valley	100	15	185	185	185	-	-
Riverview	Riverview MHC	109	72	200	200	200	-	-

Newfoundland				Average Rent			% Change(1)	
City	**Property Name**	**Sites**	**Acres**	**March 31, 2007**	**Dec.31, 2006**	**Dec.31, 2005**	**Dec 06 to March 07**	**Dec 05 to Dec 06**
Gander	Lakeview Court	86	13	$142	$142	n/a	-	n/a
Cornerbrook	Sunset Parkway	84	43	130	130	n/a	-	n/a

Ontario				Average Rent			% Change[1]	
City	**Property Name**	**Sites**	**Acres**	**March 31, 2007**	**Dec.31, 2006**	**Dec.31, 2005**	**Dec 06 to March 07**	**Dec 05 to Dec 06**
Quinte West	Bayview Estates	146	60	$217	$207	$199	4.7%	4.0%
Erin	Stanley Park	108	76	253	n/a	n/a	n/a	n/a
Carrying Place	Cedardale[2]	204	25	150	150	n/a	-	n/a
Orillia	Fegushill Estates	152	49	296	295	284	0.3%	3.9%
Beamsville	Golden Horseshoe	241	33	284	283	275	0.3%	3.0%
Wheatly	Holiday Harbour [2]	143	15	143	143	n/a	-	n/a
Carleton Place	Lakewood Estates	60	13	232	232	221	-0.1%	5.3%
Ottawa	Lynnwood Gardens	64	54	239	235	229	1.6%	2.6%
Orillia	Parkside Estates	144	80	281	276	267	1.7%	3.4%
Niagara Falls	Pine Tree Village	70	38	319	318	307	0.3%	3.7%
Petawawa	Pinehurst Estates	82	16	201	196	189	2.6%	3.4%
Vars	Rockdale Ridge	69	96	217	217	n/a	-	n/a
Orillia	Silver Creek Estates	234	80	279	273	263	2.1%	3.9%
Trenton	Sunny Creek Estates	160	53	171	166	158	3.0%	5.1%
Listowel	The Village at Listowel	77	53	253	247	n/a	2.3%	n/a
St. Catherines	Westhill Estates	95	8	247	247	n/a	-0.1%	n/a

Saskatchewan				Average Rent			% Change[1]	
City	**Property Name**	**Sites**	**Acres**	**March 31, 2007**	**Dec.31, 2006**	**Dec.31, 2005**	**Dec 06 to March 07**	**Dec 05 to Dec 06**
Saskatoon	Sunset Estates	247	77	$274	$268	$243	2.1%	10.4%

Alberta				Average Rent			% Change[1]	
City	**Property Name**	**Sites**	**Acres**	**March 31, 2007**	**Dec.31, 2006**	**Dec.31, 2005**	**Dec 06 to March 07**	**Dec 05 to Dec 06**
Slave Lake	Lynwood Estates	110	18	$307	$294	n/a	4.5%	n/a
Whitecourt	Hillpark	136	18	270	n/a	n/a	n/a	n/a
Total MHC Portfolio at March 31, 2007		***6,746***		***$207***	***$203***	***$196***	***1.8%***	***3.6%***

(1) Percentage changes calculated based on average rents to the nearest cent.
(2) Property is seasonal. Average monthly rent shown is equal to annual rent divided by 12.

Capital Improvements

Killam invests in capital improvements to increase the value of its properties, as required. The amount of capital investment is evaluated on a property by property basis. Investments over the last two fiscal years have included $7.7 million on five repositioning projects, $3.6 million on equipment relating primarily to the conversion of 12 properties from oil to natural gas and $2.0 million on MHC expansions. A summary of the capital expenditures during the years ended December 31, 2006 and 2005 and for the first quarters of 2007 and 2006 is included below:

$ in thousands	**3 months ended March 31,**		**Year ended December 31,**	
	2007	**2006**	**2006**	**2005**
Development Projects	$666	$ 25	$2,040	$ -
Major Repositioning Projects	308	691	3,654	4,062
	$974	$716	$5,694	$4,062
Project Improvements	$1,248	$2,162	$7,475	$8,084
Suite Improvements	1,847	1,509	8,781	5,111
Equipment	221	396	1,650	1,948
Appliances	232	133	915	531
Furniture & Fixtures	23	33	361	270
Parking Lots	16	2	278	300
	$3,587	$4,235	$19,460	$16,244
Total	$4,561	$4,951	$25,154	$20,306

Capital expenditures are expected to be less during 2007 than the amount expended in 2006, as the majority of Killam's portfolio is now considered stable. Management expects to spend approximately $10 million in 2007 on capital improvements for the stabilized portfolio it owned as at January 1, 2007. Approximately 70-75% of Killam's units have been renovated and improved as at March 31, 2007.

Growth Strategy

Killam has strategically built its portfolio since its first acquisition in 2002. The Corporation plans to continue to expand its portfolio through the acquisition of apartments and MHCs, with acquisitions of between $100 million and $125 million during 2007.

As at December 31, 2006, Killam's market share in its six key apartment markets was approximately 10% and management expects to continue to increase this market share over the next few years. Recognizing the benefit from clustering assets, the continued economies of scale available to the Corporation and the belief that more acquisition opportunities exist, management plans to continue to focus its apartment real estate acquisitions in Atlantic Canada in the near term. However, Killam may at times evaluate acquisition opportunities outside Atlantic Canada, and may start to acquire properties outside of its traditional markets in the future.

Since acquiring its first MHC in 2003, the Corporation has become the second largest owner of MHCs in Canada. The Corporation's portfolio is in seven provinces and consists of 43 communities totaling 6,746 units at March 31, 2007. MHCs offer similar investment metrics to owning apartment buildings but without exposure to energy costs and Killam continues to review MHC acquisition opportunities across Canada.

Killam is committed to becoming the best landlord in the business, and is focused on customer service and providing tenants with good value. A strong and experienced property and resident management team is available to deal with tenants' needs. Capital has been invested in many properties, with a number of units newly renovated. This is expected to lead to increased occupancy, increased rents and lower turnover.

Acquisition and Investment Policy

To be successful as a fully integrated real estate company and to meet the Corporation's stated business objectives, the Corporation's portfolio of assets will continue to be expanded. When considering a potential acquisition, management of the Corporation focuses on the anticipated cash flow from the assets to be acquired. Location, demographics and current and future competition are all critical factors in such analysis. The Corporation undertakes thorough due diligence before any property is acquired. The Corporation generally seeks multi-family residential properties that are forty units or larger, but will consider acquiring clusters of smaller properties in one area that are all owned by the same owner. The Corporation concentrates future acquisitions in neighbourhoods that will allow the Corporation's portfolio to grow while attempting to acquire clusters of buildings within mature suburbs and neighbourhoods. The Corporation seeks to invest in MHCs or parks that contain at least 100 leased land sites, or have future expansion opportunities to increase the community to that level. The Corporation identifies residential properties that are neglected and poorly managed yet are still producing or capable of producing acceptable net operating income. Typically, these properties are owned by: (i) absentee landlords who are not experienced in management of properties or have other full-time jobs; (ii) owners who own single properties and do not have the experience or resources to realize the property's full potential; and (iii) limited partnerships or groups of owners where the structure is failing (i.e., individual owners who want an exit strategy). By completing capital improvements, pursuing good quality tenants, properly managing the property to increase revenues and reducing or maintaining cost levels, the Corporation expects to improve the profitability of the properties it purchases. The Corporation plans to invest further in MHCs that it believes will provide it an opportunity to apply its project management, operating, leasing and financial expertise to obtain superior returns on its investment. The Corporation will continue to target MHCs in prime locations that offer a lower current yield where, with the implementation of the Corporation's business plan, the long-term value of the selected MHCs will be enhanced. MHCs with significant vacant space or rents well below existing market rents will continue to be targeted. The Corporation's acquisition strategy is driven by return considerations and opportunities to acquire MHCs at a substantial discount to replacement cost. All potential acquisitions are screened initially by management of the Corporation to determine their economic viability. When evaluating potential acquisitions, management considers each property's net operating income or potential income and evaluates such projection against a benchmark minimum return on investment. All potential acquisitions exceeding $2.5 million require the approval of the board of directors of the Corporation, and management draws on the expertise and experience of all board members when evaluating potential acquisitions, having regard to sound business fundamentals.

Operations

At March 31, 2007, the Corporation had 307 employees. During the quarter ended March 31, 2007, the Corporation employed one president and chief executive officer, one executive vice-president and chief financial officer, a team of five vice-presidents, five senior managers, 141 resident and property managers, 119 maintenance/cleaners, 27 administrative and eight accounting personnel. All of the above mentioned employees receive salaries commensurate with industry practice for the provision of their respective services. The Corporation plans to hire additional administration and management personnel at commercially competitive compensation levels as such additional personnel are needed. The need for recruitment of additional management personnel will be tied to the timing of the acquisition of additional properties.

Financial Results

Killam's growth through acquisition has led to revenue growth and increased funds from operations ("FFO"). The following table summarizes Killam's historic financial information over the last three years and the three months ended March 31, 2007, and should be read in conjunction with Killam's December 31, 2006 and March 31, 2007 financial statements and notes thereto, along with other posted information concerning Killam, including the management's discussion and analysis for the year ended December 31, 2006 and for the three months ended March 31, 2007, which are available in written and electronic versions either from Killam on request, or at www.sedar.com.

Financial History

($ in thousands, except per share data. Totals may not add due to rounding.)

Statement of Earnings Information

	3 months ended March 31,		For the years ended December 31,		
	2007	2006	2006	2005	2004
Total Revenue	$19,477	$15,992	$70,846	$47,733	$19,023
Net Operating Income (NOI")	$10,287	$8,350	$41,987	$28,165	$11,035
NOI Margin (%)	52.8%	52.2%	59.3%	59.0%	58.0%
Interest Costs	$6,721	$5,552	$24,756	$14,996	$5,242
General and Administrative	$1,067	$748	$4,506	$2,271	$1,460
Loss on Debt Settlement	-	-	$437	-	-
Depreciation and Amortization	$5,617	$3,811	$17,913	$10,412	$3,854
Provincial Capital Tax	$74	$72	$332	$209	$100
(Provision for) recovery of income taxes	$1,135	$628	$2,200	($272)	($144)
Net (loss) income	($2,056)	($1,206)	($3,757)	$5	$234
Per share basic(1)	($0.08)	($0.06)	($0.18)	($0.00)	($0.02)

(1) Per share numbers have been adjusted retroactively to be expressed on a post-Consolidation (as defined herein) basis.

Balance Sheet Information

	As at March 31,		As at December 31,		
	2007	2006	2006	2005	2004
Real Estate Properties	$595,605	$489,693	$567,099	$452,076	$235,199
Other Assets	26,402	23,501	21,273	17,440	7,647
Total Assets	$622,007	$513,193	$588,372	$469,516	$242,846
Mortgages and Loans Payable	$404,435	$327,030	$389,278	$302,821	$159,901
Other Liabilities	73,380	92,480	91,441	71,851	4,970
Shareholders' Equity	144,192	93,683	107,653	94,844	77,975
Total Liabilities and Shareholders' Equity	$622,007	$513,193	$588,372	$469,516	$242,846

Statement of Cash Flow information

	3 months ended March 31,		Year ended December 31,		
	2007	2006	2006	2005	2004
Cash Provided by Operating Activities	$5,669	$4,275	$10,278	$14,916	$5,932
Cash Provided by Financing Activities	$29,829	$30,747	$108,280	$169,940	$117,061
Cash Used in Investing Activities	($28,288)	($32,213)	($116,740)	($185,651)	($132,008)

Funds from Operations

	3 months ended March 31,		Year ended December 31,		
	2007	2006	2006	2005	2004
Net (loss) income	($2,056)	($1,205)	($3,757)	$5	$235
Depreciation and amortization	5,616	3,811	17,913	10,412	3,854
Non cash debenture interest	86	47	258	120	-
Non cash share compensation	95	55	284	173	-
Future income tax (recovery) expense	(1,135)	(650)	(2,200)	213	144
FFO	$2,606	$2,058	$12,498	$10,923	$4,233
FFO per share(1)	$0.11	$0.10	$0.60	$0.55	$0.28

(1) Per share numbers have been adjusted retroactively to be expressed on a post-Consolidation basis.

Seasonality of Results
($ in thousands, except per share data. Totals may not add due to rounding.)

The seasonality of Killam's business is highlighted with operating costs as a percentage of revenue highest in the first and fourth quarters when heating costs are highest. Killam's third quarter is its most profitable due primarily to lower utility costs. The following table provides selected financial information for the most recent eight quarters.

	2007	2006				2005		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Rental revenue	$19,261	$18,563	$18,026	$16,463	$15,757	$14,263	$13,488	$10,581
Total revenue	$19,477	$18,824	$18,697	$17,333	$15,992	$14,584	$13,555	$10,746
Operating expenses	$9,190	$7,925	$6,587	$6,704	$7,642	$6,296	$4,908	$4,156
Operating expenses %(1)	47.7%	42.7%	36.5%	40.7%	48.5%	44.1%	36.4%	39.3%
Net (loss) income	($2,056)	($1,717)	($684)	($151)	($1,205)	($293)	$252	$108
Per share basic (2)	($0.08)	($0.08)	($0.03)	($0.01)	($0.06)	($0.01)	$0.01	$0.01
Funds from operations	$2,606	$2,666	$3,856	$3,918	$2,058	$3,138	$3,627	$2,561
Per share basic (2)	$0.11	$0.12	$0.18	$0.19	$0.10	$0.15	$0.18	$0.13
Total assets	$622,007	$588,372	$572,558	$537,745	$513,193	$469,516	$412,742	$398,575
Shareholders' equity	$144,192	$107,653	$108,405	$93,591	$93,683	$94,844	$95,002	$94,473

(1) As a percentage of rental revenue.
(2) Per share numbers have been adjusted retroactively to be expressed on a post-Consolidation basis.

RECENT DEVELOPMENTS

Proposed Reorganization and Announcement of Proposed Changes to Taxation of Income Trusts

On October 31, 2006, the Minister of Finance (Canada) announced proposed changes to the taxation of income trusts (the "Proposals"). In connection with the announcement, the Department of Finance published a backgrounder with additional detail, and a subsequent Notice of Ways and Means Motion was tabled in the House of Commons on November 2, 2006 and adopted on November 7, 2006. On December 21, 2006, the Department of Finance released draft legislation in relation to the Proposals and sought comments on the technical aspects of the Proposals by January 31, 2006. On May 15, 2007, Bill C-52 which contains the Proposals received second reading in the House of Commons (the "Draft Legislation").

On November 7, 2006, Killam announced that its board of directors had reviewed a proposal for the reorganization of Killam into a real estate investment trust and determined that the structure had the potential to enhance shareholder value. Killam has engaged RBC Capital Markets to provide financial advisory services to the Corporation in this regard. Any reorganization of Killam into a real estate investment trust will be subject to the approval of the Corporation's board of directors and shareholders, and the receipt of required regulatory approvals.

Under the Draft Legislation, certain publicly-traded flow-through entities referred to as "specified investment flow-through trusts" or "SIFT trusts" will be taxed in a manner similar to the taxation of corporations, and investors in SIFT trusts will be treated in a manner similar to shareholders of a corporation. However, the Draft Legislation provides that real estate investment trusts that meet a series of conditions relating to the nature of their income and investments will be excluded from the SIFT trust definition. Specifically, for a real estate investment trust to benefit from the exclusion from the SIFT trust definition for a given taxation year:

- the trust must, at no time in the year, hold any "non-portfolio properties" other than "qualified REIT properties", each as defined in the Draft Legislation;
- not less than 95% of the trust's revenues for the year must be derived from one or more of rent from "real or immovable properties", interest, capital gains from dispositions of real or immovable properties, dividends and royalties;
- not less than 75% of the trust's revenues for the year must be derived from rent from: "real or immovable properties", to the extent that it is derived from real immovable properties situated in

Canada; interest from mortgages, or hypothecs, on real or immovable property situated in Canada; and capital gains from dispositions of real or immovable properties situated in Canada; and

- at no time in the taxation year may the total fair market value of all properties held by the trust, each of which is a real or immovable property situated in Canada, cash, or generally, a debt obligation of a government in Canada or certain other public bodies, be less than 75% of the equity value of the trust at that time.

The Draft Legislation is not law, and there can be no assurance that the Proposals will be enacted in the form of the Draft Legislation or at all. The implementation of the Draft Legislation will be closely monitored by Killam's board of directors and advisors in order to evaluate whether the safe harbour for real estate investment trusts included in the Draft Legislation would be applicable to Killam's operations. Any decision to reorganize Killam into a real estate investment trust will be conditional on Killam qualifying for the real estate investment trust exclusion from the SIFT trust definition and could also include an application for an advance tax ruling from the Canada Revenue Agency. There is no certainty at this time that any reorganization will be pursued or implemented.

Consolidation

At Killam's annual and special meeting of shareholders held on May 10, 2007, shareholders approved, among other matters, the amendment of the Corporation's articles of incorporation to consolidate the issued and outstanding common shares of the Corporation on the basis of one post-consolidation common share of the Corporation for every four pre-consolidation common shares of the Corporation (the "Consolidation").

Commencement of Annual Dividend

On January 29, 2007 Killam announced the commencement of an annual dividend of $0.14 per share, payable monthly. The first monthly dividend of $0.011667 was paid on April 16, 2007 to shareholders of record at the close of business on March 30, 2007. As a result of the Consolidation, Killam's annual dividend per share is currently $0.56 ($0.046667 per month).

The Corporation is not aware of any restriction that could prevent it from paying dividends, except as noted under the heading "Risk Factors - Availability of Cash Flow" in the AIF.

Killam's board of directors will review the dividend rate on a regular basis with consideration for future cash flows, dividend yield, payout ratios and the need to retain sufficient cash flow to support the Corporation's stability and growth. The board of directors has the sole discretion to declare and to adjust or eliminate dividends based on the above factors or other considerations.

Recent Property Acquisitions

Since January 1, 2007, Killam has completed the following acquisitions with an aggregate acquisition cost of $35.5 million and assumed or financed new mortgages of $25.0 million.

- On February 2, 2007, Killam acquired 31 Carrington Place, a 38 unit apartment building located in Halifax, Nova Scotia. The purchase price of $4.2 million was satisfied by a mortgage totaling $2.8 million at an interest rate of 4.7% and the balance in cash. The Capitalization Rate (defined as expected net operating income for the first 12 months following acquisition divided by the purchase price) on the purchase price was approximately 7.6%.
- On February 19, 2007, Killam acquired three apartment buildings consisting of 231 unit apartments, located in Moncton and Miramichi, New Brunswick. The purchase price of $14.3 million was satisfied by mortgages totaling $10.0 million at an average combined interest rate of 4.9% and the balance in cash. The Capitalization Rate on the purchase price was approximately 8.1%.
- On February 21, 2007, Killam acquired Hillpark Estates, an 18.2 acre, 136 MHC site located in Whitecourt, Alberta. The purchase price of $4.4 million was satisfied by a mortgage totaling $2.9 million at an interest rate of 5.1% and the balance in cash. The Capitalization Rate on the purchase price was approximately 5.9%.

- On February 23, 2007, Killam acquired Birchlee Court, a 43 acre, 175 MHC site located in Halifax, Nova Scotia. The purchase price of $3.1 million was satisfied by a two-year construction loan for an initial $2.2 million at an interest rate of bank prime plus 0.5%. The Capitalization Rate on the purchase price was approximately 7.8%.
- On March 5, 2007, Killam acquired Stanley Park, a 76 acre, 108 MHC site located in Erin, Ontario. The purchase price of $2.5 million was satisfied by a mortgage totaling $1.9 million at an interest rate of 5.1%. The Capitalization Rate on the purchase price was approximately 8.1%.
- On April 20, 2007, Killam acquired Kent Drive, a 10 acre, 50 MHC site located in Amherst, Nova Scotia. The purchase price of $0.8 million was satisfied by a mortgage totaling $0.5 million at an interest rate of 5.9% and the balance in cash. The Capitalization Rate on the purchase price was approximately 7.1%.
- On April 16, 2007, Killam acquired Silver Birch Estates, a 16 acre, 44 MHC site located in Antigonish, Nova Scotia. The purchase price of $0.95 million was satisfied by mortgages totaling $0.8 million at an interest rate of prime plus 0.5% and the balance in cash. The Capitalization Rate on the purchase price was approximately 5.2%.
- On May 18, 2007, Killam acquired 6101 and 6087 South Street, a 39 unit, two building property located in Halifax, Nova Scotia. The purchase price of $5.3 million was satisfied by mortgages totaling $3.9 million, the issuance of 347,140 common shares and the balance in cash. The Capitalization Rate on the purchase price was approximately 8.7%.

OVERVIEW OF DEBT OBLIGATIONS

Mortgages and loans payable

The Corporation's long-term debt consists largely of fixed-rate, long-term mortgage financing. In certain cases the Corporation also utilizes vendor-take-back mortgages as part of an acquisition. Mortgages are secured by a first or second charge against the individual properties and vendor financing is secured by a general corporate guarantee. The increase in mortgages payable is due to the continued growth of the Corporation.

Killam's March 31, 2007 weighted average mortgage and vendor debt contractual interest rate remained unchanged at 5.5% as compared to December 31, 2006. The Corporation's weighted average years to maturity fell slightly to 5.1 years from 5.4 years at December 31, 2006. The Corporation assumed a number of mortgages related to its acquisitions in the first quarter of 2007 that mature over the next two to three years which affected the average term to maturity.

Killam's mortgage and loans payable maturity profile at March 31, 2007 is presented in the table below.

Year of Maturity	Balance at March 31, 2007 ($ in thousands)	Average Contractual Interest Rate (%)
2007	15,925	6.08
2008	34,805	5.87
2009	69,583	5.31
2010	48,850	5.25
2011	51,316	5.59
2012	17,983	5.50
2013	10,515	6.17
2014	36,555	5.83
2015	54,416	5.45
2016	61,297	5.28
Thereafter	6,545	6.18

Convertible Unsecured Debentures and Subordinated Unsecured Debentures

In April 2005, Killam completed the issuance of $42.2 million of convertible unsecured debentures. The convertible debentures have a term of seven years, bear interest at a contractual rate of 6.5% and are convertible at the holder's option to common shares at a price of $12.40 (on a post-Consolidation basis) any time after May 2007. The debentures are redeemable by the Corporation in the period of June 30, 2008 to June 30, 2010, provided that the current market value of the Corporation's shares at the notice date is not less than 120% of the conversion price. After June 30, 2010 the debentures may be redeemable at face value.

During 2006, the Corporation completed the issuance of $20.0 million of unsecured subordinated debentures and warrants. The debentures, including $5.0 million in January, $5.0 million in March and $10.0 million in April, bear interest at a contractual rate of 5.92%, 6.06% and 6.33%, respectively, and expire in 2013. The associated warrants are exercisable (on a post-Consolidation basis) at $14.40, $15.20 and $12.24, respectively.

Credit Facility

The Corporation has arranged a new secured revolving credit facility with the Royal Bank of Canada to replace its previous credit facility. The $40 million facility, comprised of two tranches, has been secured to finance the Corporation's ongoing acquisition program. The first tranche of $30 million is an interim facility at rates that average prime plus 200 basis points on prime rate advances, or 300 basis points over Banker's Acceptances ("BAs"). Killam has the right to choose between prime rate advances and BAs based on available rates and timing requirements. The second tranche increases the line to $40 million at improved rates of prime plus 75 basis points on prime rate advances, or 175 basis points over BAs. On May 30, 2007, the Corporation drew $2,000,000 on this credit facility and as of May 31, 2007, this is the only balance outstanding on the credit facility.

Debt to Gross Book Value

Total debt (including the Corporation's convertible unsecured debentures and subordinated, unsecured debentures) as a percentage of gross book value decreased to 71.1% at March 31, 2007, from 75.7% at December 31, 2006. The decrease largely relates to the repayment of the credit facility in February 2007 with the proceeds from a private placement of equity. Management plans to maintain a ratio of debt-to-gross book value of between 70% and 75% during 2007 and to decrease the ratio further throughout 2008.

Total Debt to Gross Book Value Calculations

	March 31, 2007	**December 31, 2006**
Mortgages and vendor financing	404,435,025	389,278,082
Convertible debentures	39,456,904	40,910,212
Subordinated debentures	18,421,661	19,165,653
Credit facility	-	19,278,000
Deferred financing costs(1)	5,632,375	-
Total Debt	467,945,965	468,631,947
Total assets	622,007,230	588,371,804
Plus: accumulated depreciation	35,682,193	30,580,515
Total gross book value ("GBV")	657,689,423	618,952,319
Total debt as a percentage of GBV	71.1%	75.7%

(1) The debt amounts presented on the Corporation's March 31, 2007 balance sheet are presented net of deferred financing amounts as required under CICA Handbook Section 3855. The deferred financing amounts are added back to calculate the percentage.

USE OF PROCEEDS

The estimated net proceeds from the Offering, after deducting the Underwriting Fee of $2,400,140 and the estimated expenses of the Offering of $275,000, will be approximately $57,328,360. The Corporation intends to use the net proceeds for general purposes, including for funding strategic acquisitions and to repay certain revolving indebtedness incurred in connection with these acquisitions.

CONSOLIDATED CAPITALIZATION OF THE CORPORATION

On May 10, 2007, Killam's shareholders approved the Consolidation. Articles of amendment were filed by the Corporation on May 11, 2007 and Killam's common shares began trading on a post-consolidated basis on the TSX on May 24, 2007. The Consolidation did not affect any shareholder's percentage ownership of the Corporation, except to the extent that any shareholder's percentage ownership was reduced by virtue of the fact that no fractional shares were issued as a result of the Consolidation, as entitlements were rounded down to the nearest whole number of common shares.

The following table sets forth the consolidated capitalization of Killam as at December 31, 2006 and as at March 31, 2007, both before and after giving effect to the Offering. This table should be read in conjunction with the comparative consolidated financial statements of Killam, which have been incorporated by reference into this short form prospectus.

Equity	**As at December 31, 2006**	**As at March 31, 2007**	**As at March 31, 2007 (after giving effect to the Offering)[1]**
Capital stock	$108,318,171	$148,269,848	$205,598,208
Contributed surplus	688,021	577,411	577,411
Other paid-up capital	2,467,878	2,467,878	2,467,878
Deficit	(3,820,778)	(7,123,053)	(7,123,053)
Total	$107,653,292	$144,192,084	$201,520,444
Number of shares[2]	22,063,161	26,702,911	32,556,911
Indebtedness			
Mortgages and loans payable[3]	$389,278,082	$404,435,025	$404,435,025
Convertible debentures[3]	40,910,212	39,456,904	39,456,904
Subordinated debentures[3]	19,165,653	18,421,661	18,421,661
Credit facility	19,278,000	-	-
Total	$468,631,947	$462,313,590	$462,313,590

(1) Without giving effect to the exercise of the Over-Allotment Option and based on the issuance of 5,854,000 Common Shares for total gross proceeds of $60,003,500, less the Underwriters' fee of $2,400,140 and the expenses of the Offering estimated to be $275,000.
(2) After giving effect to the Consolidation.
(3) The debt amounts presented on the Corporation's March 31, 2007 balance sheet are presented net of deferred financing amounts as required under CICA Handbook Section 3855.

DESCRIPTION OF SHARE CAPITAL

Authorized Capital

The Corporation is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares.

Common Shares

The holders of common shares are entitled to notice of and to attend and vote at all meetings of shareholders, to receive any dividend declared by the Corporation, to receive the remaining property of the Corporation upon dissolution of the Corporation and to the rights, privileges and restrictions normally attached to common shares.

Preferred Shares

Preferred shares may from time to time be issued in one of more series and the directors may fix from time to time before each such series is issued the number of preferred shares which are to comprise each series and the designation, rights, privileges, restrictions and conditions attaching to each series including any voting rights attached thereto, the rate or amount of dividends, the terms and conditions of redemption, purchase or conversion and any sinking fund or other provisions. The preferred shares shall rank in priority to all voting and non-voting common shares with respect to a distribution of assets upon the liquidation, dissolution or winding-up of the Corporation. The preferred shares shall share rateably in all cumulative dividends or returns on capital which are not paid in full. No preferred shares are currently outstanding.

PLAN OF DISTRIBUTION

Pursuant to an agreement dated June 1, 2007 (the "Underwriting Agreement") among the Corporation and the Underwriters, the Corporation has appointed the Underwriters as the sole and exclusive underwriters of the Corporation to offer the Offered Shares for sale, subject to the terms and conditions contained therein, at a price of $10.25 per Offered Share. The Underwriters have agreed that if less than all of the Offered Shares are sold by the Underwriters as underwriters, the Underwriters shall purchase, as principals, all of the Offered Shares not sold by the Underwriters as underwriters at the same price per Offered Share. Closing of the Offering is anticipated to occur on or about June 19, 2007, or on such later date as may be agreed upon by the Corporation and the Underwriters (subject to any termination right pursuant to the terms and conditions of the Underwriting Agreement). The Corporation has agreed to pay the Underwriters a fee equal to $0.41 per Offered Share purchased by the Underwriters. The offering price per Offered Share was determined by negotiation between the Corporation and the Underwriters. All fees payable to the Underwriters will be paid on account of services rendered in connection with the Offering and will be paid out of the gross proceeds of the Offering.

The Corporation has granted the Underwriters the Over-Allotment Option, exercisable in whole or in part at the sole discretion of the Underwriters at any time until the date which is 30 days from the Closing, enabling them to purchase up to an additional 585,400 Offered Shares at a price of $10.25 per Offered Share, to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the gross proceeds, Underwriting Fee and net proceeds to the Corporation, before deducting the estimated expenses of the Offering, will be $66,003,850, $2,640,154 and $63,363,696, respectively. This short form prospectus also qualifies the Over-Allotment Option and the distribution of any Additional Offered Shares issued or sold upon exercise of the Over-Allotment Option.

The obligations of the Underwriters under the Underwriting Agreement are several and not joint and several, and may be terminated at their discretion upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Offered Shares if any Offered Shares are purchased under the Underwriting Agreement.

Pursuant to applicable securities legislation, the Underwriters may not, during the period of distribution under this short form prospectus, bid for or purchase common shares of the Corporation. The foregoing restriction is subject to certain exceptions, on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent trading activity in, or raising the price of, the common shares. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules for Canadian Marketplaces administered by Market Regulation Services Inc. relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. In connection with the Offering, and subject to the foregoing and to applicable law, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the common shares at levels other than those that might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

The Offered Shares have not been and will not be registered under the U.S. Securities Act or applicable state securities laws, and may not be offered, sold or delivered, directly or indirectly, within the United States except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. The Underwriters have agreed that, except as permitted by the Underwriting Agreement and as expressly permitted by applicable United States federal and state securities laws, they will not offer or sell any Offered Shares within the United States. The Underwriting Agreement permits the Underwriters to (i) offer and sell the Offered Shares purchased by them outside the United States in compliance with Regulation S under the U.S. Securities Act; (ii) offer and resell the Offered Shares that they have acquired pursuant to the Underwriting Agreement in the United States to persons who are "qualified institutional buyers" ("Qualified Institutional Buyers"), as such term is defined in Rule 144A under the U.S. Securities Act, where such offers and sales are made in compliance with Rule 144A under the U.S. Securities Act and applicable state securities laws; and (iii) designate institutional “accredited investors,” who satisfy one or more of the criteria set forth in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the U.S. Securities Act ("Institutional Accredited Investors"), as substituted purchasers to purchase Offered Shares directly from the Corporation pursuant to Section 4(2) of the U.S. Securities Act. This short form prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Offered Shares in the United States.

The Offered Shares offered or sold in the United States will be deemed "restricted securities" within the meaning of Rule l44(a)(3) of the U.S. Securities Act. Certificates representing any securities that are sold or issued in the United States will bear a legend to the effect that the securities represented thereby are not registered under the U.S. Securities Act or any applicable state securities laws and may only be offered, sold, pledged or otherwise transferred pursuant to certain exemptions from the registration requirements of the U.S. Securities Act and any applicable state securities laws.

In addition, until 40 days after the commencement of the Offering, an offer or sale of the Offered Shares offered hereby within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act unless such offer is made pursuant to an exemption from registration under the U.S. Securities Act.

Pursuant to the Underwriting Agreement, the Corporation has agreed not to, directly or indirectly, create, issue or sell, or negotiate or enter into any agreement to create, issue or sell, any equity securities of the Corporation for a period ending 90 days following the Closing, excluding shares issued (i) upon conversion of the Corporation's outstanding convertible debentures, (ii) on exercise of any outstanding warrants or options, (iii) through the Corporation's existing share option plans and other existing compensation and incentive plans, (iv) through the Corporation's existing dividend reinvestment plan and (v) as partial consideration for the acquisition of real property or assets from an arm's length vendor, pursuant to which securities of the Corporation may be issued without the prior written consent of RBC Dominion Securities Inc., on behalf of the Underwriters, such consent not to be unreasonably withheld.

The Corporation has agreed to indemnify the Underwriters and their affiliates and their respective directors, officers, employees and agents against certain liabilities.

The Corporation has applied to list the Offered Shares on the TSX. Listing will be subject to the Corporation fulfilling all of the listing requirements of the TSX.

RELATIONSHIP BETWEEN KILLAM AND CERTAIN OF THE UNDERWRITERS

RBC Dominion Securities Inc., BMO Nesbitt Burns Inc. and TD Securities Inc., three of the Underwriters of the Offering, are wholly-owned subsidiaries of Canadian chartered banks, which banks or their subsidiaries are lenders (the "Lenders") to Killam or subsidiaries of Killam by virtue of mortgages loaned against various properties of Killam. In addition, RBC Dominion Securities Inc. is owned by a Canadian chartered bank which provides a credit facility to the Corporation. The Corporation currently intends to repay $2,000,000 which is drawn on its acquisition bridge facility with proceeds of the Offering. Consequently, the Corporation may be considered to be a "connected issuer" and "related issuer" of RBC Dominion Securities Inc., BMO Nesbitt Burns Inc. and TD Securities Inc. in connection with the Offering under applicable securities laws.

As at March 31, 2007, approximately $107.3 million was outstanding under various mortgages with the Lenders. The mortgages are secured by certain assets of the Corporation. The mortgages and the credit facility contain representations and covenants, restrictions and events of default that are customary for such agreements, including restrictions on the Corporation relating to additional indebtedness, liens and encumbrances and adherence to specified financial covenants. As of the date of this short form prospectus, the Corporation is not in default of any terms of such agreements and its financial position and the value of security granted to the Lenders pursuant to such agreements have not materially changed since such agreements were entered into.

The decision of RBC Dominion Securities Inc., BMO Nesbitt Burns Inc. and TD Securities Inc. to underwrite the Offering was made independently of their parent banks and such banks have no influence as to the determination of the terms of distribution. RBC Dominion Securities Inc., BMO Nesbitt Burns Inc. and TD Securities Inc. will not receive any benefit in connection with the Offering other than a portion of the Underwriting Fee payable by the Corporation. See "Use of Proceeds".

RISK FACTORS

Before making an investment decision, prospective purchasers of Offered Shares should consider carefully the information contained in and incorporated by reference in this short form prospectus and, in particular, the risk factors set out at pages 26 through 29 of the Corporation's AIF. Readers are cautioned that such risk factors are not exhaustive.

Return on Investment

A return on an investment in the Offered Shares is not comparable to the return on an investment in a fixed-income security. The recovery of an initial investment is at risk, and the anticipated return on such an investment is based on many performance assumptions. Although Killam intends to make regular dividends of its available cash to shareholders, such dividends may be reduced or suspended. The actual amount distributed will depend on numerous factors including, but not limited to, Killam's financial performance, debt covenants and obligations, interest rates, the occupancy rates of the Corporation's properties, working capital requirements and future capital requirements. In addition, the market value of the Offered Shares may decline if the Corporation is unable to meet its cash dividend targets in the future, and that decline may be material. See "Risk Factors" in the AIF.

Competitive Conditions

The Corporation has focused its operations in the real estate markets of Atlantic Canada for multi-family residential real estate properties and Canada for MHCs. The Corporation is competing with individuals, corporations and institutions (both Canadian and foreign) which are presently seeking or which may seek future real property investments similar to those desired by the Corporation. There are a number of pension fund advisors that own multi-family residential real estate properties in these markets, and there are also many publicly-traded real estate companies and real estate investment trusts that own properties or are based in these markets. In addition, all markets have numerous well established local private companies active in the multi-family residential real estate property and MHC. Management of the Corporation believes that the Corporation is well positioned to compete directly with private companies, publicly-traded real estate companies and real estate investment trusts operating in its target market for acquisitions of quality multi-family residential real estate property and manufactured home communities.

LEGAL MATTERS

Certain legal matters relating to the securities offered hereby will be passed upon on behalf of Killam by Bennett Jones LLP and on behalf of the Underwriters by Stikeman Elliott LLP.

The partners and associates of Bennett Jones LLP, as a group, and Stikeman Elliott LLP, as a group, each beneficially own, directly and indirectly, less than 1% of the outstanding securities of the Corporation and its affiliates and associates.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of the Corporation are Ernst & Young LLP, Chartered Accountants, 1301 – 1959 Upper Water Street, Halifax, Nova Scotia, B3J 3N2. Ernst & Young LLP is independent of the Corporation in accordance with the rules of professional conduct of the Institute of Chartered Accountants of Nova Scotia.

Computershare Investor Services Inc. of Canada is the registrar and transfer agent for the common shares of Killam at its principal offices in Halifax, Nova Scotia.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

AUDITORS' CONSENT

We have read the short form prospectus of Killam Properties Inc. (the "Corporation ") dated •, 2007 relating to the sale and issuance of • common shares of the Corporation . We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report dated March 7, 2007 to the shareholders of the Corporation on the consolidated balance sheets of the Corporation as at December 31, 2006 and 2005 and the consolidated statements of income and deficit and cash flows for the years then ended.

Halifax, Canada
•, 2007

Chartered Accountants

CERTIFICATE OF THE CORPORATION

Dated: June 1, 2007

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Prince Edward Island, Nova Scotia and Newfoundland and Labrador.

(signed) Philip D. Fraser Chief Executive Officer	(signed) Robert G. Richardson Chief Financial Officer

On behalf of the Board of Directors

(signed) James C. Lawley Director	(signed) G. Wayne Watson Director

CERTIFICATE OF THE UNDERWRITERS

Dated: June 1, 2007

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Prince Edward Island, Nova Scotia and Newfoundland and Labrador.

RBC DOMINION SECURITIES INC.	CANACCORD CAPITAL CORPORATION
Per: (signed) William Wong	Per: (signed) Ronald A. Rimer

SCOTIA CAPITAL INC.

Per: (signed) Stephen Sender

BMO NESBITT BURNS INC.	TD SECURITIES INC.
Per: (signed) Derek Dermott	Per: (signed) Kursat Kacira

DESJARDINS SECURITIES INC.

Per: (signed) Duane Lee

GENUITY CAPITAL MARKETS	BLACKMONT CAPITAL INC.
Per: (signed) Robert Penteliuk	Per: (signed) Michael Klax

BEACON SECURITIES LIMITED	M. PARTNERS INC.	TRILON SECURITIES CORPORATION
Per: (signed) Jane M. Smith	Per: (signed) Thomas Kofman	Per: (signed) Trevor D. Kerr