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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 Apartment Real Estate Investment Trust at 3700 Kempt Road, Suite 100, Halifax, Nova Scotia, B3K 4X8 ((902) 453-9000). In addition, copies of the documents incorporated herein by reference may be obtained from the securities commissions or similar authorities in Canada through the SEDAR website at www.sedar.com.

Short Form Prospectus

New Issue

February 27, 2019



KILLAM APARTMENT REAL ESTATE INVESTMENT TRUST

\$75,069,000
4,390,000 Trust Units

This short form prospectus qualifies the distribution of 4,390,000 trust units (the "**Offered Units**") of Killam Apartment Real Estate Investment Trust ("**Killam**" or the "**REIT**") at a price of \$17.10 per Offered Unit (the "**Offering**"). The offering price per Offered Unit of \$17.10 was determined by negotiation between the REIT and RBC Dominion Securities Inc., as lead underwriter, on its own behalf and on behalf of BMO Nesbitt Burns Inc., CIBC World Markets Inc., Scotia Capital Inc., TD Securities Inc., Canaccord Genuity Corp., Desjardins Securities Inc., National Bank Financial Inc., Raymond James Ltd., BFIN Securities LP, Echelon Wealth Partners Inc., Industrial Alliance Securities Inc. and Laurentian Bank Securities Inc. (collectively, the "**Underwriters**").

The outstanding trust units of the REIT (the "**Units**") are listed for trading on the Toronto Stock Exchange (the "**TSX**") under the symbol "KMP.UN". On February 14, 2019, the date of the announcement of the Offering, the closing price of the Units on the TSX was \$17.75. On February 26, 2019, the last trading day prior to the filing of this short form prospectus, the closing price of the Units on the TSX was \$17.63. The TSX has conditionally approved the listing of the Offered Units on the TSX. Listing will be subject to the REIT fulfilling the applicable listing requirements of the TSX on or before May 20, 2019.

Price: \$17.10 per Unit

	Price to Public	Underwriting Fee ⁽¹⁾	Net Proceeds to REIT ⁽²⁾
Per Offered Unit.....	\$17.10	\$0.684	\$16.416
Total ⁽³⁾	\$75,069,000	\$3,002,760	\$72,066,240

Notes:

- (1) In consideration for the services rendered by the Underwriters in connection with the Offering, the REIT 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 \$200,000, which will be paid from the gross proceeds of the Offering.
- (3) The REIT 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 658,500 Units at a price of \$17.10 per Unit (the "**Additional Offered Units**"), solely to cover over-allotments, if any, and for market stabilization purposes. In respect of the Over-Allotment Option, the REIT 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 Units in the Offering will be 5,048,500, the total "Price to the Public" will be \$86,329,350, the total Underwriting Fee will be \$3,453,174 and the "Net Proceeds to the REIT", before deducting the estimated expenses of the Offering, will be \$82,876,176. This

short form prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Additional Offered Units to be issued or sold upon exercise of the Over-Allotment Option. A purchaser who acquires Units forming part of the Underwriters' over-allocation position acquires those Units under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. Where applicable, references to "Offering" and "Offered Units" include the Units issuable upon exercise of the Over-Allotment Option. See "Plan of Distribution".

<u>Underwriters' Position</u>	<u>Maximum Size</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Over-Allotment Option	658,500 Units	Up to 30 days from the Closing of the Offering	\$17.10 per Additional Offered Unit

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

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", "Competition for Real Property Investments" and "Future Acquisitions of Real Property Investments" 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 after-tax return from an investment in Units to Unitholders subject to Canadian income tax will depend, in part, on the composition for tax purposes of distributions paid by the REIT. The adjusted cost base of Units held by such a Unitholder will be reduced by the non-taxable portion of distributions made to the Unitholder (other than the portion thereof attributable to the non-taxable portion of certain capital gains). The composition of those distributions may change over time, thus affecting the after-tax return to such Unitholders.

The REIT is not a trust company and is not registered under applicable legislation governing trust companies as it does not carry on the business of a trust company. The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that act or any other legislation.

The Underwriters, as principals, conditionally offer the Offered Units, subject to prior sale, if, as and when issued by the REIT 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 REIT by Bennett Jones LLP and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP. Subscriptions for Offered Units 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 Units, 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., CIBC World Markets Inc., TD Securities Inc., National Bank Financial Inc. and Industrial Alliance Securities Inc., six of the Underwriters of the Offering, are wholly-owned subsidiaries of Canadian banks or financial institutions, which banks, financial institutions or their subsidiaries are lenders to Killam or subsidiaries of Killam. In addition, each of RBC Dominion Securities Inc. and CIBC World Markets Inc. is owned by a Canadian chartered bank and each of such banks provides a credit facility to the REIT. Consequently, the REIT may be considered to be a "connected issuer" of each of RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., TD Securities Inc., National Bank Financial Inc. and Industrial Alliance 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 (the "**Closing**") is anticipated to occur on or about March 6, 2019, or such later date as Killam and the Underwriters may agree to, but in any event not later than March 13, 2019. At the Closing, the Offered Units qualified for distribution under this short form prospectus will be available for delivery in book-entry form through

CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee, and will be deposited with CDS on the date of Closing. Purchasers of Offered Units will receive only a customer confirmation from the registered dealer that is a CDS participant and from or through which the Offered Units are purchased.

Investors should rely only on the information contained in or incorporated by reference in this short form prospectus. The REIT has not authorized anyone to provide investors with different information. The REIT is not offering the Offered Units in any jurisdiction in which the Offering 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.

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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 and information including, without limitation, statements and information respecting Killam's expectations with regard to the closing date of the Offering, the use of proceeds from the Offering, the impact of the Offering on Killam's financial position, capitalization rates, the planned growth of Killam's property portfolio, future acquisitions including the location of such acquisitions, the occurrence of, and expected timing and proceeds from any proposed dispositions, improvements in the profitability of Killam's property portfolio, the expansion of the number of rentable sites and the costs of such expansions, management's expectations regarding capital improvement costs and estimates of third parties with respect to industry and market conditions including, without limitation, estimates regarding future vacancy rates and average rents. Such forward looking information and statements relate to, but are not limited to, Killam's expectations, intentions, plans and beliefs. In some cases, forward looking statements can be identified by the use of words such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "potential", "continue" or the negative of these terms and other comparable terminology, and by discussions of strategies that involve risks and uncertainties. These 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, but not limited to: competition within each of the REIT'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 REIT's business, as well as those discussed under the heading "Risk Factors" in the AIF, which is incorporated by reference into this short form prospectus. Actual results or events may differ materially from those anticipated in such forward-looking statements. The REIT 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 REIT 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-IFRS FINANCIAL MEASURES

Funds from operations ("**FFO**"), adjusted funds from operations ("**AFFO**"), adjusted cash flow from operations ("**ACFO**"), same property results ("**same property results**"), interest coverage ("**interest coverage**"), debt service coverage ("**debt service coverage**"), earnings before interest, tax, depreciation and amortization ("**EBITDA**") and debt to normalized EBITDA are not measures recognized under International Financial Reporting Standards ("**IFRS**") and do not have any standardized meanings prescribed by IFRS. FFO, AFFO, ACFO, same property results, interest coverage, debt service coverage, EBITDA and debt to normalized EBITDA are presented in this short form prospectus or 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, AFFO, ACFO, same property results, interest coverage, debt service coverage, EBITDA and debt to normalized EBITDA, as computed by Killam, may differ from similar computations as reported by other similar organizations and accordingly, may not be comparable to FFO, AFFO, ACFO, same property results, interest coverage, debt service coverage, EBITDA or debt to normalized EBITDA, as reported by such organizations. FFO, AFFO, ACFO, same property results, interest coverage, debt service coverage, EBITDA and debt to normalized EBITDA should not be construed as alternatives to net income, cash provided by operating activities or other financial measures determined in accordance with IFRS, as an indicator of Killam's performance.

FFO are calculated as net income adjusted for depreciation on an owner-occupied building, fair value gains (losses), interest expense related to exchangeable units, gains (losses) on disposition, deferred tax expense (recovery), unrealized gains (losses) on derivative liability, internal commercial leasing costs, REIT conversion costs and non-controlling interest. FFO are calculated in accordance with the REALpac definition, except for the adjustment of REIT conversion costs as noted above; REALpac does not address this adjustment. A reconciliation between net income and FFO is included on page 25 of Killam's management's discussion and analysis for the year ended December 31, 2018.

AFFO are calculated as FFO less \$900 per apartment unit per annum and \$300 per manufactured home community ("MHC") site per annum for maintenance capital expenditures (representing a three-year rolling historical average capital spend to maintain and sustain properties), \$0.70 per square foot of commercial space, commercial leasing costs and straight-line commercial rents. AFFO are calculated in accordance with the REALpac definition. A reconciliation from FFO to AFFO is included on page 27 of Killam's management's discussion and analysis for the year ended December 31, 2018, as well a reconciliation of net income to FFO on page 25.

ACFO are calculated as cash flow from operations with adjustments for changes in working capital that are not indicative of sustainable economic cash flow available for distribution, maintenance capital expenditures, commercial leasing costs, amortization of deferred financing costs and non-controlling interest. ACFO is calculated in accordance with the REALpac definition. A reconciliation from cash flow from operations to ACFO is included on page 28 of Killam's management's discussion and analysis for the year ended December 31, 2018.

EBITDA is calculated by Killam as income before fair value adjustments, gains (losses) on disposition, income taxes, interest, depreciation and amortization.

Interest coverage is calculated by dividing EBITDA by interest expense, adjusted for interest expense related to Exchangeable Units.

Debt service coverage is calculated by dividing EBITDA by interest expense adjusted for interest expense related to Exchangeable Units and principal mortgage repayments.

Debt to normalized EBITDA is calculated by dividing interest-bearing debt (net of cash) by EBITDA that has been adjusted for a full year of stabilized earnings from recently completed acquisitions and developments.

Same property results in relation to Killam are revenues and property operating expenses for stabilized properties that Killam has owned for equivalent periods in 2018 and 2017. Excluded in same property results in 2018 are acquisitions, dispositions and developments completed in 2017 and 2018 as well as non-stabilized commercial properties linked to development projects.

ELIGIBILITY FOR INVESTMENT

In the opinion of Bennett Jones LLP, counsel to the REIT, and Osler, Hoskin & Harcourt LLP, counsel to the Underwriters, provided the REIT is a "mutual fund trust" within the meaning of the *Income Tax Act* (Canada) (together with the Income Tax Regulations, the "**Tax Act**") at the date of Closing, the Offered Units will be, at such time, "qualified investments" under the Tax Act for trusts governed by a registered retirement savings plan ("**RRSP**"), a registered retirement income fund ("**RRIF**"), a deferred profit sharing plan, a registered education savings plan ("**RESP**"), a tax-free savings account ("**TFSA**") or a registered disability savings plan ("**RDSP**") (each, a "**Plan**"), each as defined in the Tax Act.

Notwithstanding that the Offered Units may be qualified investments, the holder, subscriber or annuitant thereof of a TFSA, RRSP, RRIF, RESP or RDSP, as the case may be, will be subject to an additional tax in respect of the Offered Units, and other tax consequences may result, if the Offered Units constitute a "prohibited investment" (as defined in the Tax Act) for the particular TFSA, RRSP, RRIF, RESP or RDSP. The Offered Units will generally be a "prohibited investment" if the holder, annuitant, or subscriber, as the case may be, does not deal at arm's length with the REIT for purposes of the Tax Act or the holder, annuitant, or subscriber, as the case may be, has a "significant interest" (as defined in the Tax Act) in the REIT. In addition, Offered Units will not be a prohibited investment for a TFSA, RRSP, RRIF, RESP or RDSP, if such trust units are "excluded property" (as defined in the Tax Act) for such TFSA, RRSP, RRIF, RESP or RDSP.

Notes issued by the REIT on a redemption of Offered Units ("**Redemption Notes**") may not be "qualified investments" for trusts governed by Plans and such holders should contact their own tax advisors with regard to their own particular circumstances prior to exercising any redemption rights with respect to the Offered Units.

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 herein 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 REIT are specifically incorporated by reference in this short form prospectus:

- (a) the management information circular of the REIT dated March 28, 2018, prepared in connection with the annual meeting of Unitholders held on May 10, 2018;
- (b) the annual information form of the REIT dated March 29, 2018 (the "AIF");
- (c) the audited comparative consolidated financial statements of the REIT for the fiscal years ended December 31, 2018 and December 31, 2017 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 REIT, as at and for the year ended December 31, 2018; and
- (e) the "template version" (as defined in applicable Canadian securities laws) of the term sheet dated February 14, 2019 prepared in connection with 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.

Documents referenced in any of the documents incorporated by reference in this short form prospectus but not expressly incorporated by reference therein or herein and not otherwise required to be incorporated by reference therein or in this short form prospectus are not incorporated by reference in this short form prospectus. Any documents of the type required by National Instrument 44-101 – *Short Form Prospectus Distributions* 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", business acquisition reports and information circulars filed by the REIT with the securities commissions or similar authorities in Canada 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.

MARKETING MATERIALS

Any "template version" of any "marketing materials" (as such terms are defined under applicable Canadian securities laws) that is used by the Underwriters in connection with the Offering does not form a part of this short form prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this short form prospectus. Any template version of any marketing materials that has been, or will be, filed under the REIT's profile on SEDAR at www.sedar.com after the date of the final short form prospectus and before the termination of the distribution under the Offering (including any amendments to, or an amended version of, any template version of any marketing materials) is deemed to be incorporated by reference into this short form prospectus.

DESCRIPTION OF THE BUSINESS

Killam is an open-ended real estate investment trust specializing in the acquisition, management and development of multi-family residential apartment buildings and manufactured home communities throughout Canada. Killam is governed by an amended and restated declaration of trust dated November 27, 2015 (the "**Declaration of Trust**") under the laws of the Province of Ontario. Killam's head office is located at 3700 Kempt Road, Suite 100, Halifax, Nova Scotia, B3K 4X8.

The fair market value of Killam's real estate assets at December 31, 2018, was \$2.8 billion. Killam's 196 apartment properties are located in Atlantic Canada's six largest urban centres, Ontario and Alberta and represent Killam's largest business segment. At December 31, 2018, Killam's apartment portfolio consisted of 15,883 units. Killam also owns 37 MHCs (5,427 sites) and six commercial properties totaling 551,000 square feet.

RECENT DEVELOPMENTS

Distribution Increase

On February 12, 2019, Killam announced that its Board of Trustees had approved a 3.1% increase in Killam's distribution on an annualized basis, to \$0.66 per Unit from \$0.64 per Unit. The monthly distribution will be \$0.055 per unit, up from \$0.0533 per Unit. The increase is effective for the March 2019 distribution, to be paid in April 2019.

Divestiture

Killam has entered into agreements to sell two properties located in Ottawa, Ontario for total consideration of \$14.8 million, with net proceeds to Killam of approximately \$7.4 million. The transactions are expected to close on April 1, 2019 and are subject to customary terms and conditions.

USE OF PROCEEDS

The estimated net proceeds from the Offering, after deducting the Underwriting Fee of \$3,002,760 and the estimated expenses of the Offering of \$200,000, and assuming the Over-Allotment Option is not exercised, are expected to be \$71,866,240. The REIT intends to use the net proceeds from the Offering to fully repay its credit facility (the "**Credit Facility**"), to fund future acquisitions and for general trust purposes.

There is approximately \$55.9 million outstanding under the Credit Facility as at the date hereof. Indebtedness under the Credit Facility was incurred by the REIT for the purpose of acquiring properties.

CONSOLIDATED CAPITALIZATION OF THE REIT

Other than as contemplated by the Offering, there have not been any material changes in the unit or loan capital of Killam since December 31, 2018, the date of Killam's most recently filed audited comparative consolidated financial statements. The following table sets forth the unaudited consolidated capitalization of Killam as at December 31, 2018, both before and after giving effect to the Offering (assuming the Over-Allotment Option is not exercised). This table should be read in conjunction with the comparative consolidated financial statements of Killam, which have been incorporated by reference in this short form prospectus.

(\$ in thousands, except Unit amounts)	As at December 31, 2018	As at December 31, 2018 after giving effect to the Offering and repayment of the credit facility ^(1,2)
<u>Indebtedness</u>		
Mortgages and loans payable	\$ 1,292,476	\$ 1,292,476
Construction financings	60,502	60,502
Credit facility	53,350	-
Exchangeable Units	66,207	66,207
Total Equity	1,168,950	1,240,816
Total Capitalization	\$ 2,641,485	\$ 2,660,001
Number of Units	86,058,671	90,448,671
Number of Exchangeable Units	4,153,520	4,153,520

- (1) As noted in the "Use of Proceeds" section, the REIT intends to use the net proceeds of the Offering to fully repay the outstanding balance of the credit facility. The REIT drew \$2.5 million on the credit facility on February 19, 2019. It is anticipated that this amount will be repaid using the net proceeds of the Offering.
- (2) Without giving effect to the exercise of the Over-Allotment Option and based on the issuance of 4,390,000 Units for total gross proceeds of \$75,069,000, less the Underwriting Fee of \$3,002,760 and the expenses of the Offering estimated to be \$200,000.

PLAN OF DISTRIBUTION

Pursuant to an agreement dated February 20, 2019, (the "**Underwriting Agreement**") between the REIT and the Underwriters, the REIT has agreed to sell and the Underwriters have severally agreed to purchase, as principals and subject to the terms and conditions contained in the Underwriting Agreement, a total of 4,390,000 Units at a price of \$17.10 per Unit payable in cash to the REIT by the Underwriters against delivery of such Units. Closing of such purchase is anticipated to occur on or about March 6, 2019, or on such other date as may be agreed upon, but in no event later than March 13, 2019. The REIT has agreed to pay the Underwriters a fee equal to \$0.684 per Offered Unit purchased by the Underwriters. The offering price per Offered Unit was determined by negotiation between the REIT and RBC Dominion Securities Inc., on its own behalf and on behalf of 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 REIT 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 658,500 Offered Units at a price of \$17.10 per Offered Unit, 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 REIT, before deducting the estimated expenses of the Offering, will be \$86,329,350, \$3,453,174 and \$82,876,176, respectively. This short form prospectus also qualifies the Over-Allotment Option and the distribution of any Additional Offered Units issued or sold upon exercise of the Over-Allotment Option. A purchaser who acquires Offered Units forming part of the Underwriters' over-allocation position acquires those

Offered Units under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

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 Units if any Offered Units are purchased under the Underwriting Agreement.

Closing of the Offering is anticipated to occur on or about March 6, 2019, or on such later date as may be agreed upon by the REIT and the Underwriters (subject to any termination right pursuant to the terms and conditions of the Underwriting Agreement), but in any event not later than March 13, 2019.

Pursuant to applicable securities legislation, the Underwriters may not, during the period of distribution under this short form prospectus, bid for or purchase Units. The foregoing restriction is subject to certain exceptions. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules for Canadian Marketplaces administered by Investment Industry Regulatory Organization of Canada relating to market stabilization and market balancing activities and a bid or purchase on behalf of a customer where the order was not solicited. 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 Units at levels other than those that might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

This short form prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Offered Units in the United States. The Offered Units 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. Each Underwriter has agreed that, except as permitted by the Underwriting Agreement and as expressly permitted by applicable United States federal and state securities laws, it will not offer or sell any Offered Units within the United States. The Underwriting Agreement permits the Underwriters to offer and sell the Offered Units purchased by them outside the United States in compliance with Rule 903 of Regulation S under the U.S. Securities Act and in the United States only to persons who are "qualified institutional buyers" (as 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. The Offered Units offered or sold in the United States will be deemed "restricted securities" within the meaning of Rule 144(a)(3) of the U.S. Securities Act.

In addition, until 40 days after the commencement of the Offering, an offer or sale of the Offered Units 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 REIT 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 or any securities exercisable into equity securities or enter into any transaction intended to emulate the transfer to another person of any of the economic consequences of ownership of such securities for a period ending 90 days following the Closing without the prior written consent of RBC Dominion Securities Inc., on behalf of the Underwriters, such consent not to be unreasonably withheld, excluding units issued (i) on settlement of any restricted trust units ("**RTUs**") through the REIT's existing restricted trust unit plan (the "**RTU Plan**"), (ii) on exchange of Exchangeable Units, (iii) through the REIT's existing equity incentive plans, (iv) through the REIT's existing distribution reinvestment plan (the "**DRIP**"), and (v) as consideration for the acquisition of real property or assets from an arm's length vendor.

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

The TSX has conditionally approved the listing of the Offered Units on the TSX. Listing will be subject to the REIT fulfilling the applicable listing requirements of the TSX on or before May 20, 2019.

MARKET FOR SECURITIES

The Units are listed and posted for trading on the TSX under the symbol "KMP.UN". The following table sets forth the monthly price ranges and volumes of trading of the Units on the TSX for the periods indicated.

	High (\$)	Low (\$)	Volume
2018			
February.....	13.90	12.59	5,311,938
March.....	13.94	13.35	3,154,932
April.....	14.25	13.77	3,189,753
May.....	15.74	14.09	3,504,888
June.....	15.57	14.63	6,673,765
July.....	15.54	14.70	2,971,443
August.....	16.27	15.03	2,442,484
September.....	16.65	15.58	2,988,741
October.....	16.71	15.52	3,986,841
November.....	16.84	15.90	4,410,106
December.....	17.02	15.50	6,544,394
2019			
January.....	17.33	15.34	5,069,126
February 1-26.....	18.09	16.50	5,829,290

On February 14, 2019, the date of the announcement of the Offering, the closing price of the Units on the TSX was \$17.75. On February 26, 2019, the last trading day prior to the filing of this short form prospectus, the closing price of the Units on the TSX was \$17.63.

PRIOR SALES

The following table summarizes the issuances by the REIT of Units or securities convertible into Units in the twelve-month period prior to the date hereof.

<u>Date of Issuance</u>	<u>Number and Type of Securities</u>	<u>Issue Price per Security (\$)</u>
February 13, 2018	107,930 Restricted Trust Units ⁽²⁾	12.92
February 15, 2018	102,716 Trust Units ⁽¹⁾	13.03
February 15, 2018	5,290 Restricted Trust Units ⁽²⁾	12.95
February 19, 2018	33,985 Trust Units ⁽³⁾	13.74
March 15, 2018	77,430 Trust Units ⁽¹⁾	13.67
March 26, 2018	4,721 Trust Units ⁽³⁾	13.57
March 28, 2018	27,200 Trust Units ⁽⁴⁾	13.88
March 30, 2018	3,871 Restricted Trust Units ⁽²⁾	13.71
April 16, 2018	68,975 Trust Units ⁽¹⁾	13.93
May 15, 2018	88,833 Trust Units ⁽¹⁾	14.65

June 22, 2018	4,587	Trust Units ⁽³⁾	15.02
June 26, 2018	3,846,750	Trust Units ⁽⁵⁾	14.95
June 30, 2018	3,663	Restricted Trust Units ⁽²⁾	15.02
July 16, 2018	84,793	Trust Units ⁽¹⁾	15.18
August 10, 2018	43,050	Trust Units ⁽⁴⁾	15.70
August 15, 2018	87,594	Trust Units ⁽¹⁾	15.59
September 17, 2018	73,553	Trust Units ⁽¹⁾	15.99
September 24, 2018	4,773	Trust Units ⁽³⁾	16.34
September 30, 2018	3,337	Restricted Trust Units ⁽²⁾	16.34
October 15, 2018	60,432	Trust Units ⁽¹⁾	15.92
November 15, 2018	66,263	Trust Units ⁽¹⁾	16.48
December 17, 2018	69,130	Trust Units ⁽¹⁾	16.58
December 17, 2018	40,206	Trust Units ⁽³⁾	16.52
December 19, 2018	554,362	Trust Units ⁽⁶⁾	16.51
December 31, 2018	3,362	Restricted Trust Units ⁽²⁾	16.52
January 15, 2019	86,350	Trust Units ⁽¹⁾	15.92
February 12, 2019	88,057	Restricted Trust Units ⁽²⁾	17.18
February 15, 2019	86,350	Trust Units ⁽¹⁾	17.41
February 25, 2019	32,198	Trust Units ⁽³⁾	17.91

- (1) Units issued in connection with the DRIP.
- (2) RTUs granted pursuant to the RTU Plan.
- (3) Units issued in connection with the settlement of RTUs.
- (4) Units issued in connection with the exchange of Exchangeable Units.
- (5) Units issued in connection with equity raise.
- (6) Units issued in connection with an acquisition.

RELATIONSHIP BETWEEN KILLAM AND CERTAIN OF THE UNDERWRITERS

Six of the Underwriters, RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., TD Securities Inc., National Bank Financial Inc. and Industrial Alliance Securities Inc. are wholly-owned subsidiaries of Canadian banks or financial institutions, which banks, financial institutions or their subsidiaries are lenders (the "**Lenders**") to Killam or subsidiaries of Killam. In addition, RBC Dominion Securities Inc. is owned by a Canadian chartered bank which provides the Credit Facility to the REIT. The Credit Facility consists of a \$30 million demand revolving facility and a \$40 million committed revolving facility secured by a specific real estate asset. The Credit Facility currently has a balance outstanding of approximately \$55.9 million. In addition, CIBC World Markets Inc. is owned by a Canadian chartered bank which provides a revolving demand facility that can be used for Killam's acquisition program and for general business purposes by way of advances or letter of credit. There are currently outstanding letters of credit in the aggregate amount of approximately \$1.0 million under such facility. Consequently,

the REIT may be considered to be a "connected issuer" of RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., TD Securities Inc., National Bank Financial Inc. and Industrial Alliance Securities Inc. in connection with the Offering under applicable securities laws.

As at December 31, 2018, approximately \$852.8 million was outstanding under various mortgages and construction loans with the Lenders. The mortgages and construction loans are secured by certain assets of the REIT. The mortgages, construction loans and the Credit Facility contain representations and covenants, restrictions and events of default that are customary for such agreements, including restrictions on the REIT relating to additional indebtedness, liens and encumbrances and adherence to specified financial covenants. As at the date of this short form prospectus, the REIT 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. Currently, there is \$55.9 million outstanding under the Credit Facility. A portion of the net proceeds for the Offering will be used to repay amounts outstanding under the Credit Facility. See "Use of Proceeds".

The decision of RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., TD Securities Inc., National Bank Financial Inc. and Industrial Alliance 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 of the Offered Units. RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., TD Securities Inc., National Bank Financial Inc. and Industrial Alliance Securities Inc., will not receive any benefit in connection with the Offering other than a portion of the Underwriting Fee payable by the REIT. See "Use of Proceeds".

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Bennett Jones LLP, counsel to the REIT, and Osler, Hoskin & Harcourt LLP, counsel to the Underwriters, the following summarizes, as at the date hereof, the principal Canadian federal income tax considerations generally applicable under the Tax Act to a Unitholder who acquires, as beneficial owner, Offered Units pursuant to this Offering. This summary is applicable only to a Unitholder who, for purposes of the Tax Act and at all relevant times is, or is deemed to be, resident in Canada, deals at arm's length with and is not affiliated with the REIT and who holds the Offered Units as capital property within the meaning of the Tax Act. Generally, Offered Units will be considered to be capital property to a Unitholder provided that such Unitholder does not acquire or hold the Offered Units in the course of carrying on a business or as part of an adventure or concern in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Offered Units as capital property may, in certain circumstances, be entitled to make the irrevocable election under subsection 39(4) of the Tax Act to have their Offered Units, and every other "Canadian security" (as defined in the Tax Act) owned in the taxation year of the election and each subsequent taxation year, deemed to be capital property. Such Unitholders should consult their own tax advisors regarding whether such election is available and advisable in their particular circumstances.

This summary is not applicable to a Unitholder (i) that is a "financial institution" for purposes of the "mark-to-market rules" in the Tax Act, (ii) that is a "specified financial institution", (iii) an interest in which is a "tax shelter investment", (iv) that has elected to report its "Canadian tax results" in a currency other than Canadian currency, and (v) that holds Offered Units as part of a "derivative forward agreement", as each of those terms referred to above are defined in the Tax Act. Any such Unitholder should consult their own tax advisors with respect to an investment in Offered Units. Furthermore, this summary does not address the tax consequences to Unitholders who borrow funds in connection with the acquisition of Offered Units.

This summary is based upon the facts set out in this short form prospectus, certain representations as to factual matters made in a certificate signed by an officer of the REIT and provided to counsel (the "Officer's Certificate"), the provisions of the Tax Act in force as at the date hereof and counsel's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the "CRA"). This summary also takes into account proposals to amend the Tax Act (the "Tax Proposals") and assumes that the Tax Proposals will be enacted as proposed but no assurances can be given that the Tax Proposals will be enacted in their current form or at all.

This summary does not otherwise take into account or anticipate any changes in law or in the administrative policies and assessing practices of the CRA, whether by legislative, governmental or judicial decision or action, and does not take into account any provincial, territorial or foreign tax legislation or considerations, which may differ significantly

from those discussed in this short form prospectus. Modification or amendment of the Tax Act or the Tax Proposals could significantly alter the tax status of the REIT or the tax consequences of holding Units.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Units. This summary is not intended to be legal or tax advice to any Unitholder. Unitholders should consult their own tax advisors with respect to the tax consequences of the Offering and acquiring, holding or disposing of Units based on their own particular circumstances.

Qualification of the REIT as a Mutual Fund Trust and Real Estate Investment Trust

This summary assumes that the representations made in the Officer's Certificate are true and correct, including the representations that:

- the REIT has and will at all times comply with the Declaration of Trust;
- that the REIT has filed an election under subsection 132(6.1) of the Tax Act to be deemed to have been a "mutual fund trust" (as defined in the Tax Act) from the time of its establishment to January 1, 2016;
- that the REIT qualifies and will continuously qualify as a "mutual fund trust" under the provisions of the Tax Act which will require it to limit its investments to certain prescribed investments and to meet certain dispersion of ownership requirements with respect to its Units;
- that the REIT was not established and will not be maintained primarily for the benefit of non-residents of Canada;
- that the REIT will for each taxation year and on a continuous basis, constitute a "real estate investment trust" for the purposes of, and as defined in, the Tax Act;
- in computing its income for each fiscal period, the REIT will, in accordance with the Declaration of Trust, deduct the amount of its income which is paid or payable to the Unitholders such that it will not be subject to any material amount of tax under Part I of the Tax Act; and
- each direct or indirect subsidiary of the REIT qualifies, and will continue to qualify, at all relevant times, as an "excluded subsidiary entity" as defined in the Tax Act.

There can be no assurances, however, that the REIT or its subsidiaries will be able to meet and/or maintain its status as a mutual fund trust, a real estate investment trust or excluded subsidiary entity, as the case may be, or be able to restructure itself to so qualify or will not incur material costs to reorganize itself to so qualify for such status. If the REIT failed to qualify as a "real estate investment trust" for any particular taxation year, it would be subject to certain provisions of the "specified investment flow through" rules in the Tax Act (or "**SIFT Rules**"). The SIFT Rules effectively tax certain income of a publicly listed or traded trust that is distributed to its Unitholders on the same basis had such income been earned by a taxable Canadian corporation and distributed to Unitholders in the form of a taxable dividend. To the extent applicable to the REIT, the SIFT Rules may, depending on the nature of the distributions from the REIT, including what portion of its distributions are income and what portion are returns of capital, have a material adverse effect on the after-tax returns of certain Unitholders. In addition, if the REIT were to be established or maintained primarily for the benefit of Non-Residents (as defined in the Tax Act), the REIT would permanently lose its status as a mutual fund trust.

The remainder of this summary assumes that the REIT will at all material times qualify as a mutual fund trust and a real estate investment trust and that neither the REIT nor any of its direct or indirect subsidiaries will be subject to the SIFT Rules. If any of such assumptions is not accurate, certain income tax consequences described below would, in some respects, be materially and adversely different.

Taxation of the REIT

The taxation year of the REIT is the calendar year. Subject to the SIFT Rules, the REIT will generally be subject to tax under Part I of the Tax Act on its income for each taxation year computed in accordance with the detailed provisions of the Tax Act including net realized taxable capital gains for that year and its allocated share of income of Killam Apartment Limited Partnership (the "**Limited Partnership**") for its fiscal period ending on or before the year-end of the REIT, less the portion thereof that the REIT deducts in respect of the amounts paid or payable, or deemed to be paid or payable, in the taxation year to Unitholders. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid to the Unitholder in the year by the REIT or if the Unitholder is entitled in that year to enforce payment of the amount.

The Limited Partnership is not subject to tax under the Tax Act. Each partner of the Limited Partnership is required to include in computing the partner's income for a particular taxation year the partner's share of the income or, subject to the potential application of the "at-risk" rules, loss of the Limited Partnership for its year ending in, or coincidentally with, the partner's taxation year, whether or not any of that income is distributed to the partner in the taxation year. For this purpose, the income or loss of the Limited Partnership will be computed for each year as if the Limited Partnership were a separate person resident in Canada. In computing the income or loss of the Limited Partnership, deductions may be claimed in respect of available capital cost allowances, reasonable administrative costs, interest and other expenses incurred by the Limited Partnership for the purpose of earning income, subject to the relevant provisions of the Tax Act.

The income or loss of the Limited Partnership for a year will be allocated to the partners of the Limited Partnership, including the REIT, on the basis of their respective share of that income or loss as provided in the limited partnership agreement for the Limited Partnership, subject to the detailed rules in the Tax Act in that regard.

Generally, distributions to partners in excess of the income of the Limited Partnership for a year will result in a reduction of the adjusted cost base of the partner's units of the Limited Partnership by the amount of such excess. If, as a result, the adjusted cost base to the REIT of its units of the Limited Partnership would otherwise be a negative amount, the REIT will be deemed to realize a capital gain equal to such negative amount, and the REIT's adjusted cost base of its units of the Limited Partnership will then be reset to zero.

In computing its income for purposes of the Tax Act, the REIT may deduct reasonable administrative costs and other reasonable expenses incurred by it for the purpose of earning income. The REIT may also deduct from its income for the year a portion of any reasonable expenses incurred by the REIT to issue Units. The portion of the issue expenses deductible by the REIT in a taxation year is 20% of the total issue expenses, pro-rated where the REIT's taxation year is less than 365 days. Any losses incurred by the REIT (including losses allocated to the REIT by the Limited Partnership and capable of being deducted by the REIT) may not be allocated to Unitholders, but may generally be carried forward and deducted in computing the taxable income of the REIT in future years in accordance with the detailed rules and limitations in the Tax Act.

Pursuant to the REIT's distribution policy, the trustees of the REIT currently intend to make distributions in each year to Unitholders in an amount sufficient to ensure that the REIT will generally not be liable to tax under Part I of the Tax Act in any year (after taking into account any losses or capital losses that may be carried forward from prior years).

Taxation of Unitholders

Distributions by the REIT

Subject to the application of the SIFT Rules, a Unitholder will generally be required to include in income for a particular taxation year the portion of the net income of the REIT for the taxation year ending on or before the particular taxation year-end of the Unitholder, including net realized taxable capital gains, that is paid or payable, or deemed to be paid or payable, to the Unitholder in the particular taxation year (and that the REIT deducts in computing its income), whether such portion is received in cash, additional Units or otherwise. Distributions which are made through the issuance of additional Units may give rise to a taxable income inclusion for the Unitholders even though

no cash has been distributed to Unitholders. Any loss of the REIT for purposes of the Tax Act cannot be allocated to, or treated as a loss of, a Unitholder.

Provided that the appropriate designations are made by the REIT, such portion of net taxable capital gains of the REIT as is paid or payable, or deemed to be paid or payable, to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. For a description of the tax treatment of capital gains and capital losses, see "Certain Canadian Federal Income Tax Considerations - Taxation of Capital Gains and Capital Losses" below.

The non-taxable portion of any net realized taxable capital gains of the REIT that is paid or payable, or deemed to be paid or payable, to a Unitholder in a taxation year will not be included in computing the Unitholder's income for the year. Any other amount in excess of the net income and net taxable capital gains of the REIT that is paid or payable, or deemed to be paid or payable, by the REIT to a Unitholder in a taxation year will generally not be included in the Unitholder's income for the year. A Unitholder will be required to reduce the adjusted cost base of its Offered Units by the portion of any amount (other than the non-taxable portion of net realized capital gains of the REIT for the year, the taxable portion of which was designated by the REIT in respect of the Unitholder) paid or payable to such Unitholder that was not included in computing the Unitholder's income. To the extent that the adjusted cost base of an Offered Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Offered Unit and will be added to the adjusted cost base of the Offered Unit so that the adjusted cost base will be reset to zero. The composition of distributions paid by the REIT, portions of which may be fully or partially taxable or non-taxable, may change over time, affecting the after-tax return to Unitholders.

To the extent that amounts are designated as having been paid to Unitholders out of taxable dividends received or deemed to have been received by the REIT on shares of taxable Canadian corporations, the normal gross-up and dividend tax credit rules, including the enhanced gross-up and dividend tax credit rules in respect of dividends designated by the corporation as "eligible dividends" will apply to Unitholders who are individuals (other than certain trusts). A Unitholder that is a corporation is required to include amounts designated as taxable dividends in computing its income for tax purposes and will generally be entitled to deduct the amount of such dividends in computing its taxable income. Certain corporations, including "private corporations" or "subject corporations" (as defined in the Tax Act) may be liable to pay a refundable tax under Part IV of the Tax Act on such dividends to the extent that such dividends are deductible in computing taxable income.

Dispositions of Offered Units

On any disposition or deemed disposition of an Offered Unit (including a redemption), a Unitholder will generally realize a capital gain (or a capital loss) equal to the amount by which the Unitholder's proceeds of disposition, excluding any amount payable by the REIT which represents an amount that must otherwise be included in the Unitholder's income as described herein, exceed (or are less than) the aggregate of the Unitholder's adjusted cost base of the Offered Unit immediately before such disposition and any reasonable costs of such disposition. For the purpose of determining the adjusted cost base to a Unitholder, when an Offered Unit is acquired, the cost of the newly acquired Offered Unit will be averaged with the adjusted cost base of all of the Units owned by the Unitholder as capital property immediately before that acquisition. The adjusted cost base of an Offered Unit to a Unitholder will include all amounts paid by the Unitholder for the Offered Unit subject to certain adjustments. The cost to a Unitholder of Units received in lieu of a cash distribution of income of the REIT will be equal to the amount of such distribution that is satisfied by the issuance of such Units.

A redemption of Offered Units in consideration for cash or Redemption Notes, as the case may be, will be a disposition of such Offered Units for proceeds of disposition equal to such cash or the fair market value of such notes, as the case may be, less any income or capital gain realized by the REIT in connection with the redemption of those Offered Units to the extent that such income or capital gain is designated to the redeeming Unitholder.

Unitholders exercising the right of redemption will consequently realize a capital gain (or capital loss), depending upon whether the proceeds of disposition received exceed (or are less than) the adjusted cost base of the Offered Units redeemed. A Unitholder who is issued Redemption Notes will thereafter be required to include in income interest on such notes in accordance with the provisions of the Tax Act. Unitholders who are trusts governed by Plans should

consult their own tax advisors as to whether the Redemption Notes constitute a qualified investment for the purposes of such Plans.

The consolidation of Units of the REIT will not be considered to result in a disposition of Units by Unitholders. The aggregate adjusted cost base to a Unitholder of all of the Unitholder's Units will not change as a result of a consolidation of Units; however, the adjusted cost base per Unit will increase.

Taxation of Capital Gains and Capital Losses

One-half of any capital gain (a "**taxable capital gain**") realized by a Unitholder and the amount of any net taxable capital gains designated by the REIT to a Unitholder will be included in such holder's income as a taxable capital gain. One-half of any capital loss (an "**allowable capital loss**") realized by a Unitholder must generally be deducted from taxable capital gains of the holder in the year of disposition as an allowable capital loss. Allowable capital losses realized in excess of taxable capital gains in a particular taxation year may generally be deducted against net taxable capital gains realized in the three preceding taxation years or in any subsequent taxation year, subject to and in accordance with the provisions of the Tax Act.

Where a Unitholder that is a corporation or a trust (other than a mutual fund trust) disposes of an Offered Unit, the Unitholder's capital loss from the disposition generally will be reduced by the amount of any dividends previously designated by the REIT to the Unitholder, to the extent and under the circumstances prescribed in the Tax Act. Similar rules may apply where a corporation or trust (other than a mutual fund trust) is a member of a partnership that disposes of Offered Units.

A Unitholder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax on certain types of income, including taxable capital gains.

In general terms, net income of the REIT paid or payable to a Unitholder, who is an individual, or a certain type of trust, that is designated as taxable dividends, net taxable capital gains and capital gains realized on the disposition of Units by such a Unitholder may increase the Unitholder's liability for alternative minimum tax under the Tax Act.

RISK FACTORS

Before making an investment decision, prospective purchasers of Offered Units should consider carefully the information contained and incorporated by reference in this short form prospectus and, in particular, the risk factors set out at pages 15 through 21 of the AIF. Readers are cautioned that such risk factors are not exhaustive.

Status of the REIT

Management of the REIT believes that the REIT currently qualifies as a mutual fund trust under the Tax Act. In order to maintain its mutual fund trust status, the REIT is required to comply with specific restrictions regarding its activities and the investments held by it as provided in the Tax Act. If it were to cease to qualify as a mutual fund trust, the consequences could be material and adverse.

As per the current legislation, a mutual fund trust cannot be established or maintained primarily for the benefit of non-resident persons. The Declaration of Trust contains certain restrictions relating to the ownership of Units by non-resident persons that are designed to mitigate the possibility that the REIT would be viewed as having been established or maintained primarily for the benefit of non-resident persons. If the REIT were to lose its mutual fund trust status for the purposes of the Tax Act, the consequences could be material and adverse.

The REIT expects to qualify as a real estate investment trust (as defined in the Tax Act) for its current taxation year and each subsequent taxation year. However, such determination can only be made at the end of the REIT's taxation year. Should the REIT not meet the conditions for being a real estate investment trust (as defined in the Tax Act), the SIFT Rules would be applicable to the REIT. Management intends to take all the necessary steps to meet these conditions on an ongoing basis in the future. There can be no assurances that the REIT will continue to qualify as a

real estate investment trust (as defined in the Tax Act) such that the REIT and its Unitholders will not be subject to the tax imposed by the SIFT Rules.

The REIT expects that each direct or indirect subsidiary of the REIT will qualify as an excluded subsidiary entity (as defined in the Tax Act) for their respective current taxation years and their respective subsequent taxation years. However, such determination can only be made at the end of each particular direct or indirect subsidiary's taxation year. Should a particular subsidiary not meet the conditions for being an excluded subsidiary entity (as defined in the Tax Act), the SIFT Rules would be applicable to that subsidiary. Management intends to take all the necessary steps to meet these conditions on an ongoing basis in the future. There can be no assurances that each direct or indirect subsidiary will continue to qualify as an excluded subsidiary entity (as defined in the Tax Act) such that the REIT and its Unitholders will not be subject to the tax imposed by the SIFT Rules.

The SIFT Rules (if such rules were to apply) may have an adverse impact on the REIT, each direct and indirect subsidiary of the REIT (including the Limited Partnership) and the Unitholders, on the value of the Units and on the ability of the REIT and each direct or indirect subsidiary of the REIT to undertake financings and acquisitions, and if the SIFT Rules were to apply, the distributable cash of the REIT may be materially reduced. The effect of the SIFT Rules, if such rules were to apply, on the market for the Units is uncertain.

Tax Risk

Although Management of the REIT believes that all expenses paid by the REIT and its subsidiaries are reasonable and deductible, there is no certainty that the CRA will agree with Management's view. To the extent that any expenses are determined not to be deductible, this could have a material adverse effect upon the cash flow of the REIT.

Dilution of Net Income on a per Unit Basis

While the net proceeds of the Offering are expected to enhance the REIT's liquidity, to the extent that a portion of the net proceeds of the Offering remains as cash, or is used to pay down indebtedness with a low interest rate, the Offering is expected to result in dilution, on a per Unit basis, to the REIT's net income and other measures used by the REIT.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of the REIT are Ernst & Young LLP, Chartered Professional Accountants, 1871 Hollis St., Suite 500, Halifax, Nova Scotia, B3J 0C3.

Computershare Investor Services Inc. is the registrar and transfer agent for the Units at its principal offices in Montreal, Quebec and Toronto, Ontario.

INTEREST OF EXPERTS

Certain legal matters relating to the Offering will be passed upon by Bennett Jones LLP on behalf of the REIT and Osler, Hoskin & Harcourt LLP on behalf of the Underwriters. As at the date hereof, the partners and associates of Bennett Jones LLP and the partners and associates of Osler, Hoskin & Harcourt LLP, each as a group, beneficially own, directly or indirectly, less than 1% of the securities of the REIT and its associates and affiliates.

Ernst & Young LLP has confirmed it is independent with respect to the REIT within the meaning of the CPA Code of Professional Conduct of the Chartered Professional Accountants of 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, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any

amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price 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.

CERTIFICATE OF THE REIT

Dated: February 27, 2019

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 short form 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*"
President and Chief Executive Officer

(signed) "*Dale Noseworthy*"
Chief Financial Officer

On behalf of the Board of Trustees

(signed) "*G. Wayne Watson*"
Trustee

(signed) "*Karine MacIndoe*"
Trustee

CERTIFICATE OF THE UNDERWRITERS

Dated: February 27, 2019

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.

Per: (signed) *"David Switzer"*

BMO NESBITT BURNS INC. CIBC WORLD MARKETS INC. SCOTIA CAPITAL INC. TD SECURITIES INC.

Per: (signed) *"Onorio Lucchese"* Per: (signed) *"Jeff Appleby"* Per: (signed) *"Justin Bosa"* Per: (signed) *"Aliyah Mohamed"*

CANACCORD GENUITY CORP.

Per: (signed) *"Dan Sheremeto"*

DESJARDINS SECURITIES INC. NATIONAL BANK FINANCIAL INC.

Per: (signed) *"Mark Edwards"* Per: (signed) *"Andrew Wallace"*

RAYMOND JAMES LTD.

Per: (signed) *"Lucas Atkins"*

BFIN SECURITIES LP ECHELON WEALTH PARTNERS INC. INDUSTRIAL ALLIANCE SECURITIES INC. LAURENTIAN BANK SECURITIES INC.

Per: (signed) *"Mark Murski"* Per: (signed) *"Robert Sutherland"* Per: (signed) *"Dennis Kunde"* Per: (signed) *"Maxime Bourgoing"*