Q1-2023 Management's Discussion and Analysis

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

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PART I

Business Overview and Strategy

Killam Apartment REIT ("Killam," the "Trust," or the "REIT"), based in Halifax, Nova Scotia (NS), is one of Canada's largest multi-residential property owners, owning, operating, managing and developing a $4.9 billion portfolio of apartments, manufactured home communities (MHCs) and commercial properties across seven provinces. Killam was founded in 2000 to create value through the consolidation of apartments in Atlantic Canada and MHCs across Canada. Killam entered the Ontario (ON) apartment market in 2010, the Alberta (AB) apartment market in 2014, and the British Columbia (BC) apartment market in 2020. Killam broke ground on its first development in 2010 and has completed 16 projects to date, with a further three projects currently under construction.

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

1) Increase earnings from the existing portfolio;

2) Expand the portfolio and diversify geographically through accretive acquisitions, targeting newer properties; and

3) Develop high-quality properties in its core markets.

The apartment business is Killam's largest segment and accounted for 90.6% of Killam's net operating income (NOI) for the three months ended March 31, 2023. As at March 31, 2023, Killam's apartment portfolio consisted of 19,484 units, including 1,343 units jointly owned with institutional partners. Killam's 230 apartment properties are located in Atlantic Canada's six largest urban centres (Halifax, Moncton, Saint John, Fredericton, Charlottetown and St. John's), Ontario (Ottawa, London, Toronto and Kitchener-Waterloo-Cambridge), Alberta (Edmonton and Calgary), and British Columbia (Greater Victoria). Killam is Atlantic Canada's largest owner of multi-residential apartments and plans to continue increasing its presence outside Atlantic Canada through acquisitions and developments; however, it will continue to invest strategically in Atlantic Canada to maintain its market presence.

In addition, Killam owns 5,975 sites in 40 MHCs, also known as land-lease communities or trailer parks, in Ontario and Atlantic Canada. Killam owns the land and infrastructure supporting these communities and leases sites to tenants who own their own homes and pay Killam site rent. The MHC portfolio accounted for 3.8% of Killam's NOI for the three months ended March 31, 2023. Killam also owns 949,466 square feet (SF) of stand-alone commercial space that accounted for 5.6% of Killam's NOI for the three months ended March 31, 2023.

Declaration of Trust

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

Investment Guidelines

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

Operating Policies

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

As at March 31, 2023, Killam was in compliance with all investment guidelines and operating policies.

Basis of Presentation

The following Management's Discussion and Analysis (MD&A) has been prepared by Management and focuses on key statistics from the annual consolidated financial statements, including the notes thereto, and pertains to known risks and uncertainties. This MD&A should be read in conjunction with the Trust's audited consolidated financial statements for the years ended December 31, 2022 and 2021, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These documents, along with Killam's 2022 Annual Information Form (AIF), are available on SEDAR at www.sedar.com.

The discussions in this MD&A are based on information available as at May 3, 2023. This MD&A has been reviewed and approved by Management and the REIT's Board of Trustees.

Forward-Looking Statements Disclaimer

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

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

Such forward-looking statements contained in this MD&A may include, among other things, statements regarding: Killam’s expectations for market demand, rent growth and occupancy levels; the effect of government-imposed rental rate restrictions; Killam's strategy and priorities, including increasing earnings from Killam's existing portfolio, expanding Killam's portfolio through acquisitions, and developing high-quality properties in core markets; top-line growth driving same property NOI growth; Killam's increased presence outside of, and maintained market presence in, Atlantic Canada through acquisitions and development; Killam's development pipeline and the qualities thereof; the expansion of Killam's portfolio for future developments; future acquisitions, including the amount expected to be invested in such acquisitions and the location of such acquisitions; Killam’s property developments, including cost and timing of completion thereof and Management’s expectations regarding capital improvement costs; short- and longer-term targets relating to same property NOI growth, portfolio growth, geographic diversification and NOI generated outside of Atlantic Canada, development of high-quality properties and investment in completed developments, strengthening Killam's balance sheet and debt maintenance or reductions, return on investment, and affordable housing and the factors that may affect the achievement of such targets; Killam's joint venture partners; Killam's ability to mitigate cost increases and property taxes; maintenance and operating costs; the effect of completed developments on Killam's business, including funds from operations per unit; the expansion and optimization of Killam's repositioning program, the units eligible therefore and expected revenues generated thereunder; uncertainties and risks arising as a result of the spread of the COVID-19 pandemic, including uncertainty surrounding disruptions to financial markets, regional economies and the world economy; interest rate fluctuations; reduced debt levels and long-term debt reduction targets; the adjustment of cap-rates to match market values; commodity prices and the impacts thereof on Killam's operating costs; the impact of efficiency initiatives on Killam's operating costs and NOI growth; credit availability; financing costs, including increased interest expenses; the pace and scope of future acquisitions, construction, development and renovation, renewals and leasing; the estimated population, demographic, economic and other changes in key markets and the related effects on Killam's business; the GDP growth across the country post-pandemic; the continued capital investment from governments and the private sector in key markets; the sufficiency of Killam's liquidity and capital resources; the availability and sources of capital to fund further acquisitions and investments in Killam's business; replacing construction financing with permanent mortgage financing; Killam's normal course issuer bid (NCIB) program and share purchases thereunder; the required expenditures to comply with environmental regulations; expiration of leases and the effect thereof on Killam's business; Killam's commitment to environmental, social and governance (ESG) and its ESG policy; investment in ESG initiatives and technology and its impact on Killam's energy consumption and costs and carbon footprint; augmenting Killam's sustainability programs and policies and Killam's actions thereunder; reducing Killam's impact on the environment; Killam's climate change reporting; the installation of electric vehicle charging stations across Killam's portfolio; the sustainability and resilience to climate change of Killam's buildings; and the benefit of building certifications and high operating and living standards.

Readers should be aware that these forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those anticipated or implied, or those suggested by any forward-looking statements, including: the effects and duration of local, international or global events, such as the COVID-19 pandemic, and any government responses thereto; national and regional economic conditions (including rising interest rates and inflation); and the availability of capital to fund further investments in Killam's business. Further information regarding these risks, uncertainties and other factors may be found under the "Risk Management" section of Killam's MD&A for the year ended December 31, 2022, and Killam's most recent AIF. Given these uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements contained, or incorporated by reference, in Killam's MD&A for the year ended December 31, 2022.

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

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

Non-IFRS Financial Measures

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

Non-IFRS Financial Measures

- Funds from operations (FFO) is a non-IFRS financial measure of operating performance widely used by the Canadian real estate industry based on the definition set forth by REALPAC. FFO, and applicable per unit amounts, are calculated by Killam as net income adjusted for fair value gains (losses), interest expense related to Exchangeable Units, gains (losses) on disposition, deferred tax expense (recovery), unrealized gains (losses) on derivative liability, internal commercial leasing costs, depreciation on an owner-occupied building, interest expense related to lease liabilities, and non-controlling interest. FFO is calculated in accordance with the REALPAC definition. A reconciliation between net income and FFO is included on page 25.
- Adjusted funds from operations (AFFO) is a non-IFRS financial measure of operating performance widely used by the Canadian real estate industry based on the definition set forth by REALPAC. AFFO, and applicable per unit amounts and payout ratios, are calculated by Killam as FFO less an allowance for maintenance capital expenditures ("capex") (a three-year rolling historical average capital investment to maintain and sustain Killam's properties), commercial leasing costs and straight-line commercial rents. AFFO is calculated in accordance with the REALPAC definition. Management considers AFFO an earnings metric. A reconciliation from FFO to AFFO is included on page 26.
- Adjusted cash flow from operations (ACFO) is a non-IFRS financial measure of operating performance widely used by the Canadian real estate industry based on the definition set forth by REALPAC. ACFO is calculated by Killam as cash flow provided by operating activities with adjustments for changes in working capital that are not indicative of sustainable cash available for distribution, maintenance capital expenditures, commercial leasing costs, amortization of deferred financing costs, interest expense related to lease liabilities and non-controlling interest. Management considers ACFO a measure of sustainable cash flow. A reconciliation from cash provided by operating activities to ACFO is included on page 27. ACFO is calculated in accordance with the REALPAC definition.
- Adjusted earnings before interest, tax, depreciation and amortization ("adjusted EBITDA") is calculated by Killam as net income before fair value adjustments, gains (losses) on disposition, income taxes, interest, depreciation and amortization. A reconciliation is included on page 29.
- Normalized adjusted EBITDA is calculated by Killam as adjusted EBITDA that has been normalized for a full year of stabilized earnings from recently completed acquisitions and developments, on a forward-looking basis. A reconciliation is included on page 29.
- Net debt is a non-IFRS financial measure used by Management in the computation of debt to normalized adjusted EBITDA. Net debt is calculated as the sum of mortgages and loans payable, credit facilities and construction loans (total debt) reduced by the cash balances at the end of the period. The most directly comparable IFRS measure to net debt is debt.

Non-IFRS Ratios

- Interest coverage is calculated by dividing adjusted EBITDA by mortgage, loan and construction loan interest and interest on credit facilities. The calculation is included on page 29.
- Debt service coverage is calculated by dividing adjusted EBITDA by mortgage loan and construction loan interest, interest on credit facilities and principal mortgage repayments. The calculation is included on page 29.
- Per unit calculations are calculated using the applicable non-IFRS financial measures noted above, i.e., FFO, AFFO and/or ACFO, divided by the basic or diluted number of units outstanding at the end of the relevant period.
- Payout ratios are calculated using the distribution rate for the period divided by the applicable per unit amount, i.e., AFFO and/or ACFO.
- Debt to normalized adjusted EBITDA is calculated by dividing net debt by normalized adjusted EBITDA. The calculation is included on page 29.

Supplementary Financial Measures

- Same property NOI is a supplementary financial measure defined as NOI for stabilized properties that Killam has owned for equivalent periods in 2023 and 2022. Same property results represent 95.6% of the fair value of Killam's investment property portfolio as at March 31, 2023. Excluded from same property results in 2023 are acquisitions, dispositions and developments completed in 2022 and 2023, and non-stabilized commercial properties linked to development projects.
- Same property average rent is calculated by taking a weighted average of the total residential rent for the last month of the reporting period, divided by the relevant number of the units per region for stabilized properties that Killam has owned for equivalent periods in 2023 and 2022. For total residential rents, rents for occupied units are based on contracted rent, and rents for vacant units are based on estimated market rents if the units were occupied.

Capital Management Financial Measure

- Total debt as a percentage of total assets is a capital management financial measure and is calculated by dividing total debt by total assets, excluding right-of-use assets. This measure is reconciled in Note 22 of the condensed consolidated interim financial statements.

PART II

Key Performance Indicators

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

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

Financial and Operational Highlights

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

	Three months ended March 31,		
Operating Performance	**2023**	2022	Change (1)
Property revenue	**$84,895**	$77,464	9.6%
Net operating income	**$50,815**	$45,263	12.3%
Net income	**$83,460**	$60,027	39.0%
FFO (2)	**$30,283**	$28,665	5.6%
FFO per unit – diluted (2)	**$0.25**	$0.24	4.2%
AFFO (1)	**$25,170**	$23,739	6.0%
AFFO per unit – diluted (2)	**$0.21**	$0.20	5.0%
Weighted average number of units outstanding – diluted (000s)	**121,072**	117,765	2.8%
Distributions paid per unit	**$0.18**	$0.18	—%
AFFO payout ratio – diluted (2)	**84%**	87%	(300) bps
AFFO payout ratio – rolling 12 months (2)	**74%**	76%	(200) bps
Portfolio Performance			
Same property NOI (2)	**$48,328**	$45,485	6.3%
Same property NOI margin	**59.5%**	59.0%	50 bps
Same property apartment occupancy	**98.6%**	97.8%	80 bps
Same property apartment weighted average rental increase (3)	**4.0%**	3.3%	70 bps

As at	**March 31, 2023**	December 31, 2022	Change (2)
Leverage Ratios and Metrics			
Debt to total assets	**44.6%**	45.3%	(70) bps
Weighted average mortgage interest rate	**2.80%**	2.74%	6 bps
Weighted average years to debt maturity	**3.8**	3.8	– years
Debt to normalized EBITDA (2)	**11.08x**	11.21x	(1.2)%
Debt service coverage (2)	**1.46x**	1.51x	(3.3)%
Interest coverage (2)	**3.20x**	3.31x	(3.3)%

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

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

(3) Year-over-year, as at March 31.

Summary of Q1-2023 Results and Operations

Earned Net Income of $83.5 Million
Killam earned net income of $83.5 million in Q1-2023 compared to $60.0 million in Q1-2022. The increase in net income is primarily attributable to fair value gains on investment properties of $66.8 million, compared to fair value gains of $28.0 million in the same period in 2022. These gains were a result of strong NOI growth.

Revenue Growth Drives Same Property NOI Growth of 6.3%
Killam generated 6.3% growth in same property NOI during Q1-2023. This was driven by 5.4% growth in same property revenue from a combined 4.0% increase in apartment rental rates, 80 bps increase in same property apartment occupancy, and increased ancillary revenue. Property operating expenses increased 4.1% in the quarter. Higher natural gas pricing and a 5.8% increase in same property general operating expenses, driven by higher wages and contract service costs, was partially offset by a 2.9% decrease in property tax expense. Killam also achieved expansion in the operating margin of its same property portfolio, up 50 bps compared to Q1-2022.

Achieved 4.2% FFO per Unit Growth and 5.0% AFFO per Unit Growth
Killam delivered FFO per unit of $0.25 in the quarter, a 4.2% increase from $0.24 per unit in Q1-2022. AFFO per unit increased 5.0% to $0.21 ($0.20 in Q1-2022). The growth in FFO and AFFO was attributable to strong net operating income growth, partially offset by higher interest expense and a 2.8% increase in the weighted average number of units outstanding.

Disposing Select Assets to Enhance Value and Strengthen Balance Sheet
Killam completed its first disposition in Q1-2023, selling a 43-unit apartment property located in Ottawa for $9.8 million, with net cash proceeds of $7.0 million. Subsequent to quarter end, on April 21, 2023, Killam completed the disposition of a 108-unit property located in Halifax for $33.0 million, with net cash proceeds of $20.1 million. Killam has more dispositions planned for the remainder of 2023 and expects to exceed its fiscal 2023 capital recycling target of $100.0 million.

Continued Advancement of Development Pipeline
Killam continues to advance its development pipeline, with two developments nearing completion and one ongoing project, totalling 320 units and an expected combined development cost of $177.5 million. During Q1-2023, Killam invested $11.3 million in its active development projects, the majority of which were funded through construction financing.

Focus on Reduced Leverage with 26% Reduction in Variable Rate Debt
During the first quarter, debt to total assets decreased 70 bps from 45.3% to 44.6%, and variable rate debt was reduced by $55.2 million, as funds from dispositions, mortgage refinancings, and general operations were used to reduce the balance on Killam's credit facility. Looking ahead, Killam expects to continue to reduce variable rate debt with funds from additional refinancings and dispositions during the second and third quarters. In addition, construction financing for the Latitude development in Ottawa was repaid with permanent Canada and Mortgage Housing Corporation (CMHC)-insured financing. Killam expects permanent financing for three additional developments to be in place between the second and third quarters of 2023. Overall, Killam's weighted average mortgage interest rate increased a nominal 6 bps at the end of Q1-2023 compared to December 31, 2022, as the maturity dates of Killam's mortgages are staggered to help mitigate interest rate risk.

ESG Update
During Q1-2023, Killam invested $1.2 million in energy initiatives. At the end of the quarter, Killam had 18 photovoltaic (PV) solar arrays producing power, with an expected 1,817 MWh of annual energy production. This is the equivalent amount of energy to supply 343 apartment units with electricity annually, based on the average consumption per unit in Killam's apartment portfolio. PV solar arrays, along with geothermal heating and cooling systems at Killam’s new developments, illustrate Killam’s ongoing commitment to lowering its carbon footprint. Additionally, Killam is rolling out Level II electric vehicle charging stations across its portfolio, with 187 charging stations installed at 30 properties to date, plus an additional 103 charging stations at 12 different properties underway.

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

Strategic Targets

Growth in Same Property NOI	
2023 Target	Achieve same property NOI growth averaging 3.0% – 5.0%.
2023 Performance to Date	Killam achieved same property NOI growth of 6.3% for the three months ended March 31, 2023. Demand has remained strong for apartments and rental rates have continued to increase in 2023 because demand is greater than supply for apartment units. Warmer temperatures and lower natural gas pricing resulted in lower-than-expected expense growth and higher NOI growth. Based on the results achieved to date in 2023, Killam expects same property NOI growth in 2023 to exceed 5.0%.

Capital Recycling	
2023 Target	Sell a minimum of $100 million of non-core assets.
2023 Performance to Date	In the first quarter, Killam completed its first disposition of 2023, selling a 43-unit apartment building in Ottawa for a sale price of $9.8 million. Subsequent to quarter-end, Killam completed the disposition of a 108-unit building located in Halifax for $33.0 million. Killam has additional dispositions planned for the remainder of 2023 and expects to exceed its 2023 capital recycling target of $100.0 million.

Geographic Diversification	
2023 Target	Earn at least 36% of 2023 NOI outside Atlantic Canada.
2023 Performance to Date	Killam is on track to meet this target, with 37.1% of NOI generated outside Atlantic Canada in Q1-2023. The completion and lease-up of Civic 66 will further augment NOI generated outside Atlantic Canada during the remainder of the year.

Development of High-Quality Properties	
2023 Target	Complete construction of two development projects and break ground on one additional development in 2023.
2023 Performance to Date	Killam is on track to meet this target; The Governor, a 12-unit building located in Halifax, NS, and Civic 66, a 169-unit building located in Kitchener, ON, are expected to be completed in Q2-2023.

Strengthened Balance Sheet	
2023 Target	Reduce debt as a percentage of total assets to below 45%.
2023 Performance to Date	Debt as a percentage of total assets was 44.6% as at March 31, 2023 (45.3% – December 31, 2022).

Sustainability	
2023 Target	Invest a minimum of $8.0 million in energy initiatives in 2023.
2023 Performance to Date	Killam invested $1.2 million in energy initiatives in Q1-2023, including new boilers, water and sewer upgrades, window replacements, building upgrades, and the installation of electric vehicle chargers at various buildings across the portfolio.

Outlook

Strong Demand for Apartments Expected to Drive Market Rents Higher
Killam expects robust demand for apartments to continue as demand continues to outpace supply. Following record population growth in 2022 of over 1 million people, Canada is targeting to welcome 465,000 new permanent residents in 2023, 485,000 in 2024 and 500,000 in 2025. Canada led the G7 countries for population growth per capita in 2022. The increase in international migration is related to efforts by the Government of Canada to ease labour shortages in key sectors of the economy. With supply unable to keep up with demand, further pressure on rents is expected, providing mark-to-market opportunities.

Management expects to increase rents to market rates as units turn and are released, which is expected to lead to continued top-line growth and same property NOI growth of over 5% in 2023. For renewals, 2023 rent growth is likely to be tempered by government-imposed rental rate restrictions in four of Killam's core markets, namely Ontario (capped at 2.5% in 2023), Nova Scotia (capped at 2.0% in 2023, increasing to 5.0% in 2024/25), British Columbia (capped at 2.0% in 2023) and Prince Edward Island (rental increases not allowed in 2023).

Population Growth and Opportunity in Halifax
Halifax, which contributed 26.8% of Killam's NOI in Q1-2023, has experienced acceleration in population growth over the past three years. Halifax's population grew by 2.1% in 2021, followed by 4.5% in 2022, with a record number of interprovincial migrants moving to the city. Halifax's age profile is also decreasing. In 2022, for the third consecutive year, the largest age group of newcomers moving to Halifax was the 25–39 age group, accounting for 36% of the city's population growth. These trends are projected to continue in 2023, increasing demand for apartments in the region. Per the CMHC Rental Market Report, based on data as of October 2022, Halifax had both record low vacancy as well as some of the highest leasing spreads on turnover in the country.

$94 Million of Developments Expected to be Completed in 2023
Development remains an important component of Killam's growth strategy, and Killam expects to complete $94 million in development projects in 2023, with another $84 million project expected to be completed in 2024. The completion and stabilization of these projects is expected to contribute positively to Killam's future FFO per unit growth. Killam has a robust development pipeline of over 4,200 units, with 70% of the future projects located outside of Atlantic Canada, and planning is well underway for a number of these upcoming projects.

Advancement of Capital Recycling Program and NCIB Activity
Killam has completed two dispositions and expects to close on the disposition of two additional properties in May 2023. Proceeds from these sales will reduce variable rate debt and the related financing costs. During the quarter, Killam reduced its variable rate debt by $55.2 million. Killam has also commenced activity through its NCIB program, buying back and cancelling 11,822 units to date at a weighted average price of $16.92. Killam expects to be active under its NCIB program with funds generated from its disposition program.

Increased Borrowing Costs
Killam has $258.6 million of mortgages maturing in the remainder of 2023, with an average interest rate of 3.05%, and a further $305.6 million maturing in 2024, with an average interest rate of 2.56%. With current borrowing costs above these levels, Management anticipates higher interest expense on refinancings. Management has diversified Killam's mortgages to avoid dependence on any one lending institution and has staggered maturity dates to mitigate interest rate risk. Killam's mortgage maturity schedule is included on page 30. Killam expects to continue reducing its variable rate interest expense through 2023 with the placement of permanent fixed rate mortgages on its completed developments, increased CMHC-insured mortgages on its existing portfolio, and from its planned capital recycling program. Management is committed to maintaining debt as a percentage of total assets at 45%, or below through 2023.

Inflation and Higher Operating Expenses
Killam monitors inflation, given the risk of increasing operating and capital costs. Inflationary pressures are expected to result in higher-than-normal increases in general operating expenses, including contract services and repairs and maintenance. Killam has experienced sharp increases in natural gas costs over the last 18 months due to volatility in domestic and international gas markets. Based on reductions in recent natural gas pricing, Killam expects these costs to come down in the second half of 2023 and into 2024. Approximately 58% of Killam's units are heated with natural gas, and fluctuations in natural gas pricing impacts Killam's operating costs. Investments in energy and water-saving initiatives, as well as operational efficiencies, are expected to offset a portion of rising operating costs. Management expects to invest a minimum of $8.0 million in energy-related projects in 2023. These projects should contribute to same property NOI growth by reducing consumption and also improve Killam's sustainability metrics.

Investing in Our Properties
Management is committed to Killam's repositioning program, targeting 450 additional units in 2023. In addition, Killam is improving efficiencies and targeting improved performance metrics, including the percentage of repositionings completed in 28 days. Unit repositionings represent unit upgrades costing more than $10,000, and Killam targets a return on investment (ROI) of at least 10%. Killam has been successful and will continue to mitigate construction cost increases through the use of bulk purchasing, as well as the use of in-house labour. Killam has over 5,500 units that are eligible for repositioning as they come vacant.

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

PART III
Portfolio Summary

The following table summarizes Killam's apartment, MHC and commercial portfolios by market as at March 31, 2023:

Apartment Portfolio				
	Units (1)	Number of Properties	NOI ($) (2)	NOI (2) (% of Total)
Nova Scotia				
Halifax	5,847	67	$13,612	26.8%
Sydney	139	2	$328	0.6%
	5,986	69	$13,940	27.4%
New Brunswick				
Moncton	2,246	39	$4,822	9.5%
Fredericton	1,529	23	$3,540	7.0%
Saint John	1,202	14	$1,915	3.8%
Miramichi	96	1	$180	0.4%
	5,073	77	$10,457	20.7%
Ontario				
Ottawa	1,549	10	$3,581	7.0%
London	523	5	$1,486	2.9%
Kitchener-Waterloo-Cambridge-GTA	1,839	13	$5,672	11.2%
	3,911	28	$10,739	21.1%
Newfoundland and Labrador				
St. John's	955	13	$2,116	4.2%
Grand Falls	148	2	$206	0.4%
	1,103	15	$2,322	4.6%
Prince Edward Island				
Charlottetown	1,163	24	$2,202	4.3%
Summerside	86	2	$128	0.3%
	1,249	26	$2,330	4.6%
Alberta				
Calgary	764	4	$1,922	3.8%
Edmonton	882	6	$2,342	4.6%
	1,646	10	$4,264	8.4%
British Columbia				
Victoria	516	5	$1,945	3.8%
Total Apartments	**19,484**	**230**	**$45,997**	**90.6%**
Manufactured Home Community Portfolio				
	Sites	Communities	NOI ($) (2)	(% of Total)
Nova Scotia	2,850	18	$1,238	2.4%
Ontario (3)	2,284	17	$658	1.3%
New Brunswick (3)	671	3	($35)	(0.1)%
Newfoundland and Labrador	170	2	$98	0.2%
Total MHCs	**5,975**	**40**	**$1,959**	**3.8%**
Commercial Portfolio (4)				
	SF (5)	Properties	NOI ($) (2)	(% of Total)
Prince Edward Island (5)	386,316	1	$759	1.5%
Ontario	311,106	2	$1,262	2.5%
Nova Scotia (6)	218,829	5	$714	1.4%
New Brunswick	33,215	1	$124	0.2%
Total Commercial	**949,466**	**9**	**$2,859**	**5.6%**
Total Portfolio		**279**	**$50,815**	**100.0%**

(1) Unit count includes the total unit count of properties held through Killam's joint arrangements. Killam has a 50% ownership interest in apartment properties in Ontario, representing a proportionate ownership of 672 units of the 1,343 units in these properties. Killam manages the operations of all the co-owned apartment properties.
(2) For the three months ended March 31, 2023.
(3) Killam's New Brunswick and Ontario MHC communities include seasonal operations, which typically commence in mid-May and run through the end of October.
(4) Killam has 181,117 SF of ancillary commercial space in various residential properties across the portfolio, which is included in apartment results.
(5) Square footage represents 100% of the commercial property located in PEI.
(6) Square footage includes Killam's 50% ownership interest in two office properties that are third-party managed.

Core Market Update

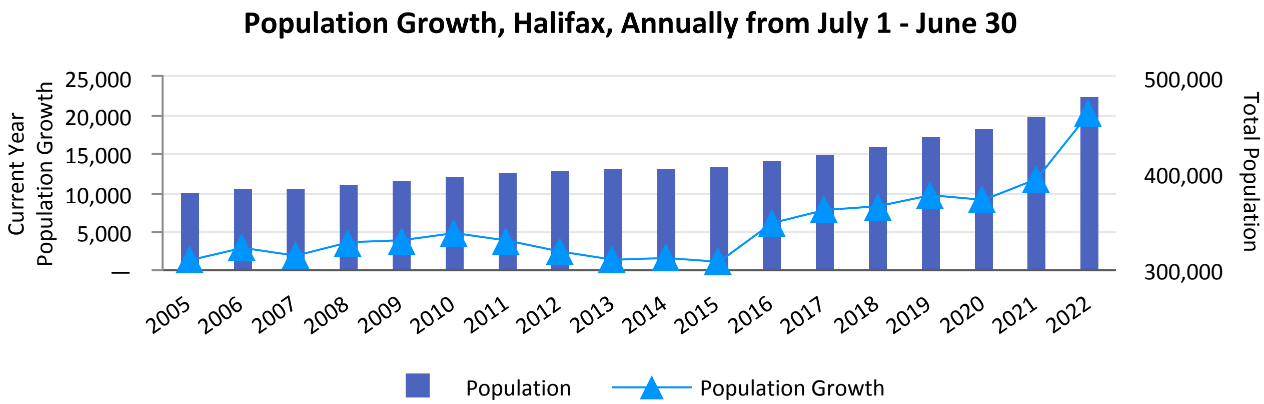
Halifax

Twenty-seven percent of Killam's NOI was generated by its Halifax apartment properties for the three months ended March 31, 2023. Halifax is the largest city in Atlantic Canada and is home to 19% of Atlantic Canadians. Halifax's diverse economy generates 56% of Nova Scotia's GDP and is home to 47% of the province's population. With six degree-granting universities and three large college campuses, Halifax has approximately 35,560 full-time students, including 7,290 international students. Halifax's employment base is diversified, with the largest sectors focused on public service, health care, education, retail and wholesale trade. Halifax is home to the largest Canadian Forces Base by number of personnel, and the Department of National Defence is the city's single largest employer. There is also tremendous opportunity to leverage science and technology in Canada's ocean sectors, furthering the knowledge-based ocean economy.

According to CMHC's Rental Market Report, the city's rental market totals 56,590 units, with an additional 5,670 rental units currently under construction. Halifax's vacancy rate remained at a record low of 1.0% in 2022, consistent with 2021, and down from 1.9% in 2020. This was the second-lowest vacancy rate in Canada and can be attributed to the city's rising population, specifically in the city's downtown core. CMHC reported Halifax's average monthly rent increased 8.9% in 2022, the highest single-year increase and four times above the historical average growth rate.

Scotiabank's December 2022 provincial analysis report noted that Halifax has seen a recent surge in interprovincial migration. The economic outlook highlights that this recent increase in population has fueled robust growth in the housing sector. Though rising interest rates have resulted in a housing downturn, residential investment is still tracking strong growth and is well above the national average. Scotiabank expects heightened construction activity to continue in 2023, with solid demand from the rising population.

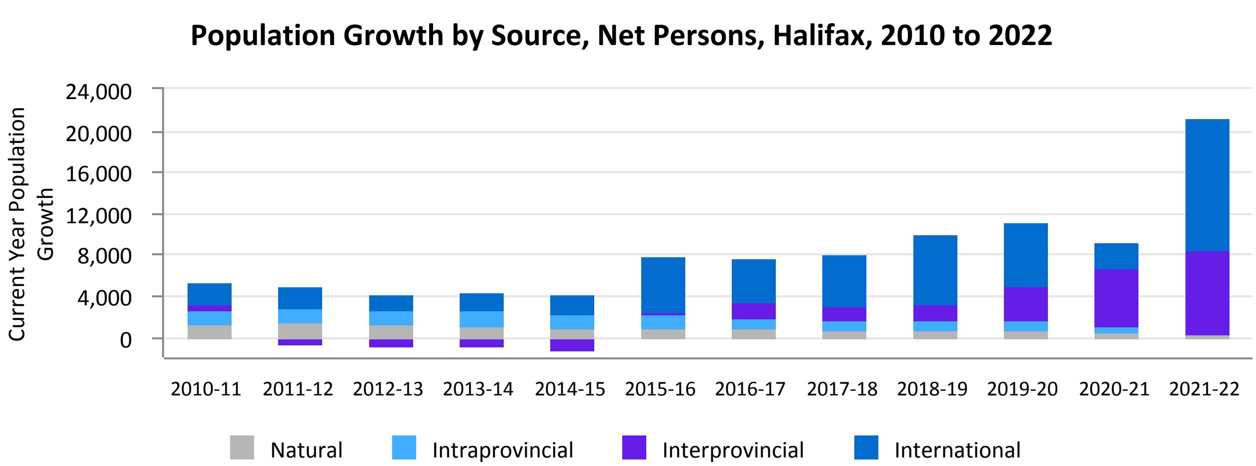
The following chart summarizes Halifax's population growth from 2005 to 2022:



Source: Statistics Canada

Between July 1, 2021 and June 30, 2022, Halifax's population grew by 4.5%, the largest annual increase the city has seen in decades. This per capita growth rate is the second-fastest across Canada's 35 largest cities, behind only Moncton, and is driven by immigration and urbanization. During this period, international migration was the largest source of new residents, representing 60% of the total, while interprovincial migration represented 38%. This is the highest number of interprovincial migrants Halifax has ever seen. Net natural growth contributed 2% of the growth in this period, while intraprovincial migration contributed a loss of less than 1%.

The following chart summarizes Halifax's population growth by source from 2010 to 2022:



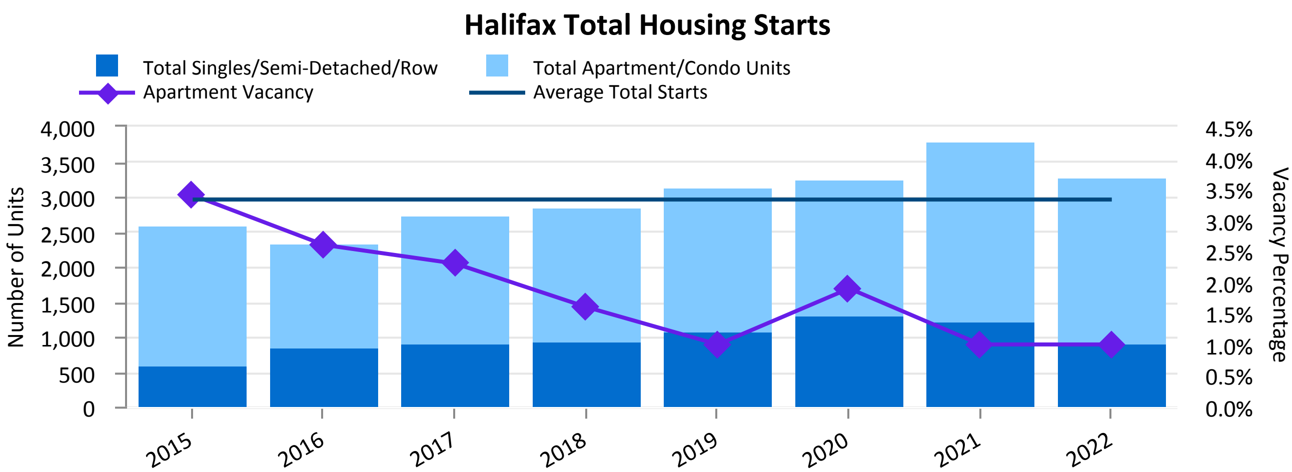
Source: Statistics Canada

For the year ended December 31, 2022, Statistics Canada estimated total net population growth in Nova Scotia exceeded 32,500, and is now estimated to be 1,038,000 (Province NS, Finance and Treasury Board).

RBC's March 2023 Provincial Outlook details that Nova Scotia's rapidly expanding population will help cushion the economy against a recession. Due to high inflation and increased interest rates, domestic activity and export-oriented sectors are expected to slow in 2023, contributing to decelerated economic growth from a 2.4% GDP growth rate in 2022 to 1.0% in 2023. With the recent record levels of international and interprovincial newcomers, the arrival of younger migrants has helped rejuvenate the population, with the median age dropping from 45.1 years in 2018 to 44.2 years in 2022. This increase in working-age migrants has helped the province meet the demands of employers, and is expected to support employment growth through 2023.

In response to an increasing population, there has been an increase in housing starts over the last five years. Despite this supply increase, housing prices were up an average of 16.1% in 2022 compared to 2021.

The following chart summarizes Halifax's housing start activity from 2015 to 2022:



Source: CMHC

New Brunswick
Twenty-one percent of Killam’s NOI was generated by apartments in New Brunswick's three major urban centres – Fredericton, Moncton and Saint John – for the three months ended March 31, 2023. Fredericton is the provincial capital, and home to the province's largest university and a significant public-sector workforce. Moncton is the province's largest city and is a transportation and distribution hub for Atlantic Canada. Given the relatively affordable cost of living, New Brunswick has become a destination for both Canadians and newcomers.

The province saw an increase in net migration from other provinces and the second-highest percentage of net non-permanent residents in Canada in 2022, as noted in RBC's December 2022 Provincial Outlook report. Moncton's population grew by 5.3% between July 1, 2021 and June 30, 2022, the highest growth rate across Canada's 35 largest cities, as measured by Statistics Canada. According to CMHC, New Brunswick's vacancy was 1.9% in 2022, compared to 1.7% in 2021.

According to Scotiabank's December 2022 provincial analysis report, declining exports and weaker demand from the US and Europe may impact New Brunswick's economic growth in 2023; however, economic growth is estimated to be above the national average. Scotiabank further notes that the province has the lowest debt-to-disposable income ratios in the country, which will help support consumption in a higher-interest-rate environment. RBC's March 2023 Provincial Outlook report agreed with this analysis, forecasting New Brunswick's GDP growth to be 1.0% in 2023, compared to 2.0% in 2022.

St. John's, Newfoundland
Five percent of Killam’s NOI was generated by apartments in St. John's, Newfoundland, for the three months ended March 31, 2023. RBC's March 2023 Provincial Outlook report notes that increased oil and mining production coupled with a growing population is expected to stimulate demand for goods and services within the province in 2023. Strong commodity markets have also resulted in increased capital spending in the province. This is expected to result in an uptick in GDP growth, with RBC forecasting a growth rate of 1.6% for 2023, compared to a 0.4% decline in 2022. Following five consecutive years of decline in population, 2022 saw record immigration and the resumption of positive net interprovincial migration flows in Newfoundland, boosting population growth to a 12-year high at 1.3%, as measured by Statistics Canada. RBC expects this trend to continue in 2023, in part thanks to Canada’s increased immigration targets. Improved demographics will further sustain stronger demand for goods and services, as well as housing in the region.

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

Prince Edward Island

Five percent of Killam's NOI was generated by apartments in Prince Edward Island for the three months ended March 31, 2023. According to RBC's March 2023 Provincial Outlook report, PEI's economic outlook is positive, with a forecasted GDP growth rate of 1.3% in 2023, compared to 2.9% in 2022. Low levels of household debt coupled with a booming population are expected to support household spending and residential investment in the province. In 2022, the province welcomed its largest number of migrants on record, with the population growing 3.8%, as measured by Statistics Canada. RBC notes that per capita population growth on the island is on track to be the fastest among the provinces for a sixth consecutive year in 2023. This surge in population is making a material impact on household consumption, and has resulted in retail sales increasing more than 20% from their pre-pandemic levels. Additionally, vacancy has decreased in the region, down 40 bps to 0.9% in 2022, compared to 1.3% in 2021, as reported by CMHC.

Ontario

Killam's Ontario apartment portfolio generated 21.1% of its NOI for the three months ended March 31, 2023. RBC's March 2023 Provincial Outlook notes that rising interest rates and a higher cost of living in Ontario are expected to result in economic tightening in the province. Ontario households are among the most heavily indebted in Canada, causing the province to be more susceptible to interest rate volatility. Ontario continues to be driven by advances in the healthcare industry and activity in real estate and professional services industries. Although residential activity has been strong, RBC reports this is expected to slow and decline due to high inflation and rising interest rates. These financial pressures are expected to slow household spending in 2023, causing challenges for businesses. RBC forecasts Ontario's GDP to grow marginally by 0.2% in 2023, compared to a growth rate of 3.6% in 2022. However, this decline is not expected to continue, with a growth rate of 1.0% forecasted in 2024. According to CMHC, Ontario's vacancy rate decreased to 1.8% in 2022, down from 3.4% in 2021.

Alberta

Eight percent of Killam's NOI was earned in Alberta for the three months ended March 31, 2023. According to RBC's March 2023 Provincial Outlook report, Alberta is expected to achieve a GDP growth rate of 1.9% in 2023, compared to 4.3% in 2022. This growth is driven by the massive upswing in global energy markets, which has resulted in a 29% increase in capital spending in 2022, to $24.6 billion, with a further 10% increase expected in 2023. Scotiabank's December 2022 provincial analysis report noted that drilling activity has trended higher in 2022, and that the Alberta Energy Regulator expects oil and gas capital spending to increase by 56% in 2023 and remain above levels preceding the pandemic. The completion of the region's Trans Mountain pipeline expansion will also increase the transportation capacity for crude oil, and will open up new export avenues in the coming year. However, RBC notes that soaring interest rates and elevated inflation are expected to weigh on household and business spending in 2023. Alberta's housing sector is poised to remain buoyant in 2023, largely due to the region's increasing population. Statistics Canada reports that Alberta's population grew by 3.0% in 2022, the highest level since 2013–2014. This has led to decreased vacancy in Alberta, which is down 280 bps to 3.7% in 2022, compared to 6.5% in 2021, as reported by CMHC.

British Columbia

Killam earned 3.8% of its NOI in the British Columbia market for the three months ended March 31, 2023. RBC's March 2023 Provincial Outlook reported British Columbia's forecasted GDP growth to be flat in 2023, compared to 2.8% in 2022. This decrease in growth is attributed to higher interest rates and inflation, decreasing household spending in the region. RBC notes that British Columbians carry the heaviest debt loads in Canada, making them especially sensitive to interest rate increases. However, record immigration flowing into the province is expected to boost residential capital investment, as builders, developers and policymakers address long-standing supply issues. Statistics Canada reported that British Columbia's population grew by 2.5% in 2022, and housing starts are projected to ramp up to 49,800 units in 2023, from 48,000 units in 2022. Additionally, vacancy has decreased modestly in the region, down 10 bps to 1.3% in 2022, compared to 1.4% in 2021, as reported by CMHC.

Diversified Exposure to Rent Control

In terms of NOI generated for the three months ended March 31, 2023, approximately 43% of Killam's portfolio is not impacted by rent control restrictions, which provides Killam the opportunity to move rents to market rates in these regions. There is no rent control in Newfoundland and Labrador and Alberta, and New Brunswick only has rent control restrictions on MHCs. Killam is also not restricted on rental increases for its commercial or seasonal resort properties.

The table below summarizes rent control restrictions in place for 2023:

	2023	
Province	**Apartments**	**MHCs**
Nova Scotia (1)	2.0%	2.2%
New Brunswick	N/A	3.8%
Ontario (2)	2.5%	1.2%
Prince Edward Island	0.0%	1.0%
British Columbia	2.0%	2.0%

(1) The Government of Nova Scotia announced a temporary rent restriction measure in November 2020, limiting rental increases on renewals to 2.0% until the end of 2023. The Government has announced that the restricted increase on lease renewals will rise to 5.0% for 2024 and 2025 for apartments and 5.8% for MHCs in 2024.

(2) The Ontario Government announced a 2.5% allowable guideline increase for 2023 lease renewals. Rent control does not apply to new construction in Ontario completed after November 25, 2018, which represents 430 units of Killam's Ontario portfolio.

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

PART IV

Q1-2023 Operational and Financial Results

Consolidated Results

For the three months ended March 31,

	Total Portfolio			Same Property [1]		
	2023	2022	% Change	**2023**	2022	% Change
Property revenue	**$84,895**	$77,464	9.6%	**$81,163**	$77,038	5.4%
Property operating expenses						
General operating expenses	**13,468**	12,218	10.2%	**12,916**	12,213	5.8%
Utility and fuel expenses	**10,806**	9,693	11.5%	**10,502**	9,643	8.9%
Property taxes	**9,806**	10,290	(4.7)%	**9,417**	9,697	(2.9)%
Total operating expenses	**$34,080**	$32,201	5.8%	**$32,835**	$31,553	4.1%
NOI	**$50,815**	$45,263	12.3%	**$48,328**	$45,485	6.3%
Operating margin %	**59.9%**	58.4%	150 bps	**59.5%**	59.0%	50 bps

(1) Same property results exclude acquisitions and developments completed during the comparable 2023 and 2022 periods, which are classified as non-same property. For the three months ended March 31, 2023, NOI contributions from acquisitions and developments completed in 2022 and 2023 were $2.9 million and $nil, respectively. For the three months ended March 31, 2022, the NOI contributions from acquisitions and developments completed in 2022 were $0.3 million.

For the three months ended March 31, 2023, Killam achieved strong overall portfolio performance. Revenues grew 9.6%, offset by increases in total operating expenses of 5.8%, due to the increased size of Killam's portfolio, as well as increases in utility and fuel expenses year-over-year. In aggregate, NOI increased by 12.3% for the three months ended March 31, 2023.

Same property results include properties owned during comparable 2023 and 2022 periods. Same property results represent 96% of the fair value of Killam's investment property portfolio as at March 31, 2023. Non-same property results include acquisitions, dispositions and developments completed in 2022 and 2023, and commercial assets acquired for future residential development.

Same property revenue increased by 5.4% for the three months ended March 31, 2023, compared to Q1-2022. This growth was driven by an 80 bps increase in apartment occupancy, strong rental rate growth and increased commercial revenues.

Total same property operating expenses increased by 4.1% for the three months ended March 31, 2023. The increase for the quarter was driven by an 8.9% increase in utility and fuel expenses due to increases in natural gas costs, coupled with increases in general operating expenses of 5.8%. These increases were offset by a 2.9% decrease in property taxes, which was driven by a decrease in property tax mill rates in New Brunswick and expected subsidies in PEI.

Overall, same property NOI grew by 6.3% and Killam's operating margin expanded by 50 bps for the three months ended March 31, 2023.

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

Apartment Results

For the three months ended March 31,	Total			Same Property		
	2023	2022	% Change	**2023**	2022	% Change
Property revenue	**$76,099**	$69,341	9.7%	**$72,500**	$68,909	5.2%
Property operating expenses						
General operating expenses	**11,609**	10,529	10.3%	**11,041**	10,451	5.6%
Utility and fuel expenses	**9,798**	8,803	11.3%	**9,551**	8,770	8.9%
Property taxes	**8,695**	9,209	(5.6)%	**8,323**	8,627	(3.5)%
Total operating expenses	**$30,102**	$28,541	5.5%	**$28,915**	$27,848	3.8%
NOI	**$45,997**	$40,800	12.7%	**$43,585**	$41,061	6.1%
Operating margin %	**60.4%**	58.8%	160 bps	**60.1%**	59.6%	50 bps

Apartment Revenue

Total apartment revenue for the three months ended March 31, 2023, was $76.1 million, an increase of 9.7% over the same period in 2022. Revenue growth was augmented by contributions from properties acquired and developed over the past two years, coupled with high occupancy and accelerating rent growth on turns given strong demand for units.

Same property apartment revenue increased 5.2% for the three months ended March 31, 2023. This was driven by an 80 bps increase in occupancy during the period, coupled with an increase in year-over-year average rent of 4.0% as at March 31, 2023. The operating margin on Killam's same property apartment portfolio for the three months ended March 31, 2023, was up 50 bps to 60.1%.

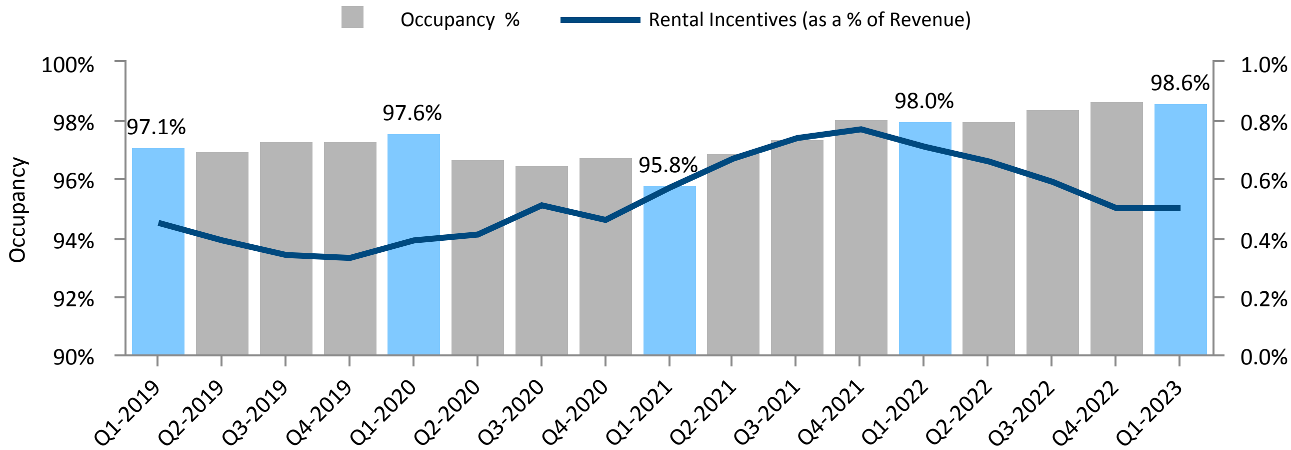
Apartment Occupancy Analysis by Core Market (% of Residential Rent) (1)

		Total Occupancy			Same Property Occupancy		
For the three months ended March 31,	# of Units	**2023**	2022	Change (bps)	**2023**	2022	Change (bps)
Nova Scotia							
Halifax	5,986	**98.8%**	99.2%	(40)	**98.8%**	99.2%	(40)
Ontario							
Ottawa (2)	1,549	**93.5%**	81.9%	1,160	**96.7%**	93.6%	310
London	523	**98.9%**	99.0%	(10)	**98.9%**	99.0%	(10)
KWC-GTA	1,839	**98.7%**	98.9%	(20)	**98.8%**	99.0%	(20)
New Brunswick							
Moncton	2,342	**99.4%**	98.0%	140	**99.4%**	98.0%	140
Fredericton	1,529	**98.1%**	98.1%	—	**98.1%**	98.1%	—
Saint John	1,202	**98.4%**	98.2%	20	**98.4%**	98.2%	20
Newfoundland and Labrador							
St. John's	1,103	**98.6%**	94.5%	410	**98.6%**	94.5%	410
Prince Edward Island							
Charlottetown	1,249	**99.4%**	99.5%	(10)	**99.4%**	99.5%	(10)
Alberta							
Calgary	764	**98.5%**	94.9%	360	**98.5%**	94.9%	360
Edmonton	882	**98.2%**	93.5%	470	**98.2%**	93.5%	470
British Columbia							
Victoria	516	**97.1%**	99.5%	(240)	**96.2%**	99.5%	(330)
Total Apartments (weighted average)	**19,484**	**98.3%**	97.0%	130	**98.6%**	97.8%	80

(1) Occupancy as a percentage of residential rent is calculated as vacancy (in dollars) divided by gross potential residential rent (in dollars) for the period.
(2) Total 2022 occupancy for Ottawa was impacted by Latitude, a recently completed 208-unit development project that was undergoing initial lease-up during the first quarter.

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

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



Killam continues to see a decrease in rental incentives as a percentage of total revenue in Q1-2023, compared to Q1-2022. Rental incentives decreased in all of Killam's regions quarter-over-quarter. Over 70% of the incentives in Q1-2023 were in Alberta, although incentives were down 6% in this region compared to Q1-2022 and are expected to continue to trend downwards throughout 2023.

Year-Over-Year Average Rent Analysis by Core Market

As at March 31,

		Average Rent			Same Property Average Rent		
	# of Units	**2023**	2022	% Change	**2023**	2022	% Change
Nova Scotia							
Halifax	5,986	**$1,294**	$1,241	4.3%	**$1,293**	$1,239	4.4%
Ontario							
Ottawa	1,549	**$1,975**	$1,908	3.5%	**$1,939**	$1,874	3.5%
London	523	**$1,473**	$1,405	4.8%	**$1,473**	$1,405	4.8%
KWC-GTA	1,839	**$1,554**	$1,437	8.1%	**$1,514**	$1,442	5.0%
New Brunswick							
Moncton	2,342	**$1,129**	$1,089	3.7%	**$1,129**	$1,089	3.7%
Fredericton	1,529	**$1,200**	$1,132	6.0%	**$1,200**	$1,132	6.0%
Saint John	1,202	**$984**	$930	5.8%	**$984**	$930	5.8%
Newfoundland and Labrador							
St. John's	1,103	**$1,012**	$988	2.4%	**$1,012**	$988	2.4%
Prince Edward Island							
Charlottetown	1,249	**$1,116**	$1,110	0.5%	**$1,116**	$1,110	0.5%
Alberta							
Calgary (1)	764	**$1,311**	$1,278	2.6%	**$1,311**	$1,278	2.6%
Edmonton	882	**$1,515**	$1,491	1.6%	**$1,515**	$1,491	1.6%
British Columbia							
Victoria (2)	516	**$1,755**	$1,793	(2.1)%	**$1,904**	$1,793	6.2%
Total Apartments (weighted average)	**19,484**	**$1,304**	$1,242	5.0%	**$1,286**	$1,236	4.0%

(1) Including the reduction in rental incentives, year-over-year same property average rent increased 4.3% in Calgary during Q1-2023.
(2) The decline in the average net rent in the Victoria region relates to two acquisitions completed in Q2-2022, consisting of 199 units.

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

Same Property Rental Increases – Tenant Renewals versus Unit Turns

The rental increases in the table below reflect rental increases achieved on units renewed or turned (released) for the three months ended March 31, 2023, whereas rental increases in the previous section reflect the year-over-year change in average rent by region as at March 31, 2023, compared to March 31, 2022.

Killam historically turned approximately 30%–32% of its units each year; however, this ratio has declined over the past four years. Due to the tightening of the housing and rental markets across Canada, turnover levels in 2022 were 22%, down from 26% in 2021. They are trending lower based on turnover in the first three months of 2023 and are expected to be below 20% for 2023.

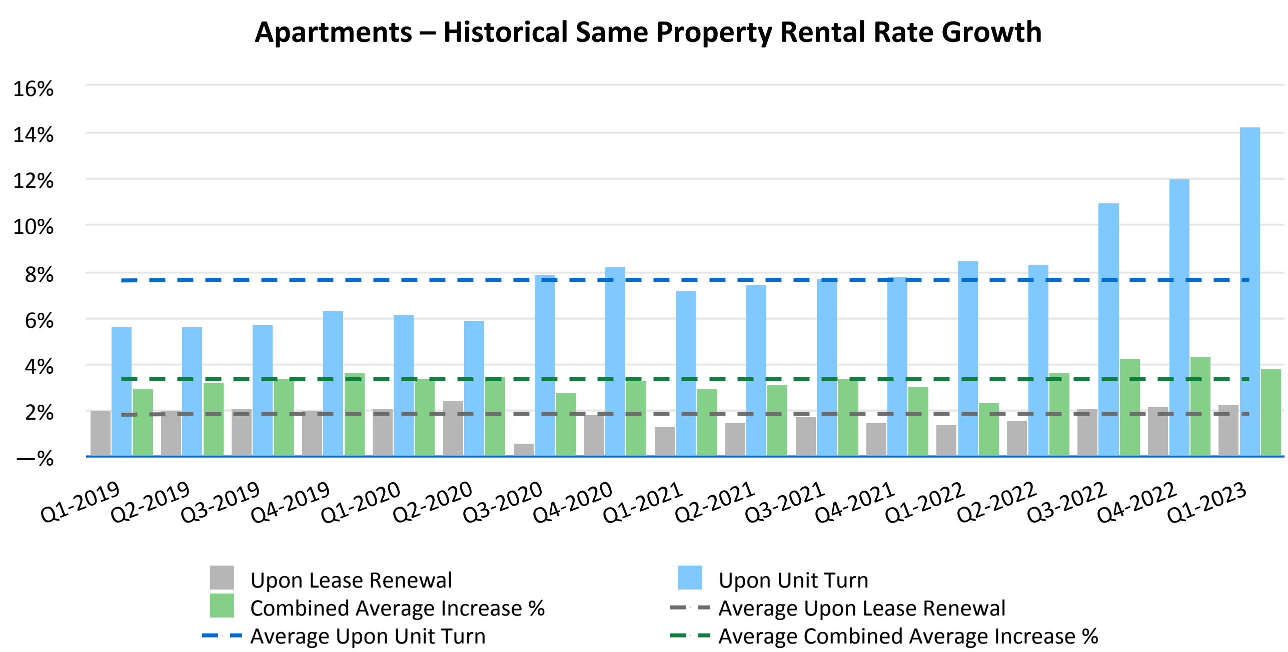
Upon turn, Killam will typically generate rental increases by moving rental rates to market and, where market demand exists, by upgrading units for unlevered returns of 10%–15% on capital invested. Killam earned a 150 bps increase in its same property weighted average rental increase quarter-over-quarter, up from 2.3% in Q1-2022 to 3.8% in Q1-2023. This growth was a result of higher rental increases on both unit turns and lease renewals. Population growth across Canada continues to drive higher market rents.

The chart below summarizes the rental increases earned during the three months ended March 31, 2023 and 2022. The mark-to-market opportunity on unit turns continues to expand, increasing to an average of 20% across the portfolio in Q1-2023, ranging from 10% to 40% by region.

	For the three months ended March 31,			
	2023		**2022**	
	Rental Increases	Turnovers & Renewals	Rental Increases	Turnovers & Renewals
Lease renewal (1)	**2.3%**	**87.7%**	1.4%	87.2%
Unit turn (1)	**14.3%**	**12.3%**	8.5%	12.8%
Rental increase (weighted avg)	**3.8%**	**100.0%**	2.3%	100.0%

(1) During Q1-2023, 5,059 units were renewed and 709 units turned. The large weighting of renewals is due to many leases across the portfolio renewing on January 1.

The following chart summarizes the weighted average rental rate increases achieved by quarter on lease turns and renewals.



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

Apartment Expenses

Total operating expenses for the three months ended March 31, 2023, were $30.1 million, a 5.5% increase over the same period in 2022. This is due to incremental costs associated with recent acquisitions and developments, coupled with increased natural gas pricing and inflationary pressures.

Total same property operating expenses increased by 3.8% for the three months ended March 31, 2023. The increase includes a 8.9% increase in utility and fuel expenses driven by increases in natural gas commodity pricing across the majority of Killam's regions, resulting in an 18.4% increase in natural gas costs in Q1-2023 compared to Q1-2022. Oil and propane costs also increased, up 6.2% for the three months ended March 31, 2023.

Property Operating Expenses
Property operating expenses for the apartment portfolio include repairs and maintenance, contract services, insurance, property management and property management wages and benefits, uncollectible accounts, marketing, advertising and leasing costs. The increase in same property general operating costs of 5.6% for the three months ended March 31, 2023, was due to higher contract service costs, most notably snow clearing contracts, increased wages costs and higher insurance expense. These increases reflect inflationary cost pressures.

Same Property Utility and Fuel Expenses

	Three months ended March 31,		
	2023	2022	% Change
Natural gas	**$4,555**	$3,848	18.4%
Electricity	**2,474**	2,515	(1.6)%
Water	**1,915**	1,836	4.3%
Oil & propane	**586**	552	6.2%
Other	**21**	19	10.5%
Total utility and fuel expenses	**$9,551**	$8,770	8.9%

Killam’s apartment portfolio is heated with natural gas (56%), electricity (36%), oil (3%), district heat (2%), geothermal (2%) and propane (less than 1%). Electricity costs relate primarily to common areas, as unit electricity costs are typically paid by tenants, reducing Killam’s exposure to the majority of Killam's 6,000 apartments heated with electricity. Fuel costs associated with central natural gas or oil-fired heating plants are paid by Killam.

Utility and fuel expenses accounted for approximately 33% of Killam’s total apartment same property operating expenses for the three months ended March 31, 2023. Total same property utility and fuel expenses increased 8.9% for the three months ended March 31, 2023, compared to the same period in 2022.

Same property natural gas expenses increased 18.4% for the three months ended March 31, 2023, due to higher natural gas pricing. This included commodity price increases of 35% in Nova Scotia, 30% in Ontario and 10% in New Brunswick, partially offset by a 32% decrease in Alberta during the quarter, compared to Q1-2022. The overall commodity price increase was offset by a reduction in natural gas consumption as a result of a mild winter.

Electricity costs decreased by 1.6% for the three months ended March 31, 2023. This was primarily due to electricity costs being switched to tenants for new leases, given strong market fundamentals. In addition, electricity consumption was less as a result of warmer temperatures in the quarter compared to Q1-2022.

Heating oil and propane costs increased by 6.2% for the three months ended March 31, 2023, compared to the same period in 2022. Oil prices increased by 17% in Prince Edward Island during Q1-2023 compared to Q1-2022, as the majority of Killam's heating oil and propane costs are in Prince Edward Island. Subsequent to quarter-end, oil pricing has declined and is expected to have a favorable impact on Q2-2023 results.

Property Taxes
Same property tax expenses for the three months ended March 31, 2023, were $8.3 million, a 3.5% decrease from the same period in 2022. This decline is due to a reduction in regional mill rates in New Brunswick, coupled with property tax subsidies in Prince Edward Island. The tax subsidies in PEI is to compensate apartment owners for the rent control restrictions prohibiting rental rate growth in 2023. New Brunswick and PEI experienced a 10.8% and 13.2% decrease in property taxes in the quarter, compared to Q1-2022. All other regions were up approximately 2.0% to 4.0% quarter-over-quarter. Killam actively reviews its property tax assessments and appeals tax assessment increases wherever possible.

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

Apartment Same Property NOI by Region

Three months ended March 31,

	Property Revenue			Property Expenses			Net Operating Income		
	2023	2022	% Change	**2023**	2022	% Change	**2023**	2022	% Change
Nova Scotia									
Halifax	**$24,074**	$23,099	4.2%	**($10,008)**	($9,128)	9.6%	**$14,066**	$13,971	0.7%
	24,074	23,099	4.2%	**(10,008)**	(9,128)	9.6%	**14,066**	13,971	0.7%
Ontario									
Ottawa	**4,075**	3,800	7.2%	**(1,411)**	(1,297)	8.8%	**2,664**	2,503	6.4%
London	**2,334**	2,198	6.2%	**(854)**	(836)	2.2%	**1,480**	1,362	8.7%
KWC-GTA	**7,763**	7,363	5.4%	**(2,961)**	(2,858)	3.6%	**4,802**	4,505	6.6%
	14,172	13,361	6.1%	**(5,226)**	(4,991)	4.7%	**8,946**	8,370	6.9%
New Brunswick									
Moncton	**8,431**	8,007	5.3%	**(3,448)**	(3,597)	(4.1)%	**4,983**	4,410	13.0%
Fredericton	**5,627**	5,339	5.4%	**(2,095)**	(2,176)	(3.7)%	**3,532**	3,163	11.7%
Saint John	**3,657**	3,453	5.9%	**(1,749)**	(1,817)	(3.7)%	**1,908**	1,636	16.6%
	17,715	16,799	5.5%	**(7,292)**	(7,590)	(3.9)%	**10,423**	9,209	13.2%
Newfoundland and Labrador									
St. John's	**3,406**	3,163	7.7%	**(1,086)**	(1,122)	(3.2)%	**2,320**	2,041	13.7%
	3,406	3,163	7.7%	**(1,086)**	(1,122)	(3.2)%	**2,320**	2,041	13.7%
Prince Edward Island									
Charlottetown	**4,187**	4,141	1.1%	**(1,863)**	(1,898)	(1.8)%	**2,324**	2,243	3.6%
	4,187	4,141	1.1%	**(1,863)**	(1,898)	(1.8)%	**2,324**	2,243	3.6%
Alberta									
Calgary	**3,203**	2,919	9.7%	**(1,283)**	(1,103)	16.3%	**1,920**	1,816	5.7%
Edmonton	**3,970**	3,692	7.5%	**(1,636)**	(1,511)	8.3%	**2,334**	2,181	7.0%
	7,173	6,611	8.5%	**(2,919)**	(2,614)	11.7%	**4,254**	3,997	6.4%
British Columbia									
Victoria	**1,773**	1,735	2.2%	**(521)**	(505)	3.2%	**1,252**	1,230	1.8%
	$72,500	$68,909	5.2%	**($28,915)**	($27,848)	3.8%	**$43,585**	$41,061	6.1%

Halifax

Killam's Halifax apartment portfolio achieved a same property revenue increase of 4.2% for the three months ended March 31, 2023, compared to the same period in 2022. This was due to a 4.4% increase in year-over-year average rent in the region, and slightly offset by a modest 40 bps decrease in occupancy to 98.8% in the quarter. Total same property operating expenses for the three months ended March 31, 2023, were 9.6% higher compared to the same period in 2022. The increase in expenses was driven by higher utility and fuel costs, which were up 14.6% in the region mainly attributable to natural gas, coupled with higher contract services and salary costs. The net impact was a 0.7% increase in NOI for the three months ended March 31, 2023. Killam expects natural gas costs in Halifax to be lower in the next heating season as suppliers take advantage of current lower commodity pricing.

Ontario

Same property apartment revenue in Ontario grew 6.1% for the three months ended March 31, 2023. This increase was driven by a 4.3% increase in year-over-year average rent in the region, coupled with a 110 bps increase in occupancy to 98.0%. Significant occupancy gains were noted in Ottawa, which saw an impressive increase of 310 bps to 96.7%. Total same property operating expenses for the three months ended March 31, 2023, increased 4.7% compared to Q1-2022. This increase was due to higher salary costs, plus increased natural gas pricing and contract services costs. In aggregate, NOI was 6.9% higher for the three months ended March 31, 2023.

New Brunswick

Killam's apartment portfolio in New Brunswick generated an aggregate same property revenue increase of 5.5% for the three months ended March 31, 2023. This was a result of a year-over-year average rent increase of 4.9%, coupled with a 70 bps increase in occupancy to 98.8%. Moncton experienced significant occupancy gains, up 140 bps to 99.4%, driven by a tightening market in the region. Occupancy in Fredericton remained at 98.1%, and Saint John's occupancy was up modestly by 20 bps to 98.4%.

Total same property operating expenses for the three months ended March 31, 2023, decreased by 3.9% compared to the same period in 2022. This decrease was driven by a reduction in regional tax mill rates in New Brunswick, which resulted in an aggregate 10.8% decrease in realty taxes in Q1-2023 despite an average 20% increase in property assessments. Additionally, utility and fuel expenses were down slightly due to warmer temperatures and unit electricity being included in more tenant's rent. In aggregate, NOI increased 13.2% compared to Q1-2022.

Newfoundland and Labrador

Same property apartment revenue in Newfoundland and Labrador grew 7.7% for the three months ended March 31, 2023. This growth was primarily due to a significant 410 bps increase in occupancy, up from 94.5% to 98.6%. This was coupled with a 2.4% increase in year-over-year average rent in the region. Total same property operating expenses for the three months ended March 31, 2023, decreased 3.2% compared to Q1-2022. This was a result of lower repairs and maintenance costs, coupled with lower advertising costs as a result of the higher occupancy. Other property operating expenses were relatively flat for the quarter, compared to the same period in 2022. Overall, NOI grew by 13.7% for the three months ended March 31, 2023.

Prince Edward Island

Same property apartment revenue in Prince Edward Island increased modestly by 1.1% in Q1-2023, compared to the same period in 2022. Occupancy in the region remained high at 99.4%, while rental growth was limited by rent control in the region, which prohibits rental increases in 2023. Total same property operating expenses for the three months ended March 31, 2023, decreased by 1.8% compared to the same period in 2022. This decline was due to property tax subsidies in the region to help offset the 0% rent control in 2023. This resulted in a 13.2% decrease in realty taxes in Q1-2023. This was partially offset by higher utility and fuel expenses due to higher oil and propane costs, coupled with increased salary and contract services costs. Overall, NOI was up 3.6% for the three months ended March 31, 2023.

Alberta

Killam's Alberta apartment portfolio achieved a same property revenue increase of 8.5% for the three months ended March 31, 2023, compared to the same period in 2022. This growth was primarily due to large occupancy gains in both Calgary and Edmonton, up 360 bps and 470 bps to 98.5% and 98.2%, respectively. This was coupled with a 2.0% increase in year-over-year average rent in the region and a 6.0% decrease in rental incentives. Total same property operating expenses for the three months ended March 31, 2023, were 11.7% higher compared to Q1-2022. The increase in expenses was driven primarily by higher salary costs, electricity and natural gas costs. In aggregate, NOI experienced a 6.4% increase, compared to Q1-2022.

British Columbia

Same property apartment revenue in British Columbia grew 2.2% for the three months ended March 31, 2023. This growth was a result of a 6.2% increase in year-over-year average rent in the region, partially offset by a 330 bps decrease in occupancy, to 96.2%. The decline in occupancy was a result of higher turnover at two properties and is expected to rebound in the second quarter of 2023. Total same property operating expenses increased 3.2% in Q1-2023, compared to the same period in 2022. This increase was due to higher insurance costs, coupled with increased realty taxes and advertising costs. The net impact was a modest 1.8% increase in NOI for the three months ended March 31, 2023.

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

MHC Results

For the three months ended March 31,	Total Portfolio			Same Property		
	2023	2022	% Change	**2023**	2022	% Change
Property revenue	**$3,658**	$3,515	4.1%	**$3,598**	$3,486	3.2%
Property operating expenses	**1,699**	1,508	12.7%	**1,629**	1,543	5.6%
NOI	**$1,959**	$2,007	(2.4)%	**$1,969**	$1,943	1.3%
Operating margin %	**53.6%**	57.1%	(350) bps	**54.7%**	55.7%	(100) bps

Killam's MHC portfolio contributed $2.0 million, or 3.8% of Killam's total NOI for the three months ended March 31, 2023. The MHC business generates its highest revenues and NOI during the second and third quarters of each year due to the contribution from its nine seasonal resorts that earn approximately 60% of their NOI between July and October. Overall, same property NOI from the MHC portfolio increased modestly by 1.3% for the three months ended March 31, 2023, as a result of higher property operating expenses.

Commercial Results

For the three months ended March 31,	Total Portfolio			Same Property		
	2023	2022	% Change	**2023**	2022	% Change
Property revenue	**$5,138**	$4,608	11.5%	**$5,065**	$4,643	9.1%
Property operating expenses	**2,279**	2,152	5.9%	**2,291**	2,162	6.0%
NOI	**$2,859**	$2,456	16.4%	**$2,774**	$2,481	11.8%

Killam's commercial property portfolio contributed $2.9 million, or 5.6% of Killam's total NOI for the three months ended March 31, 2023. Killam's commercial property portfolio totals 949,466 SF and is located in four of Killam's core markets. The commercial portfolio includes Westmount Place, a 300,000 SF retail and office complex located in Waterloo; Royalty Crossing, a 386,300 SF shopping centre in PEI of which Killam has a 75% interest and is the property manager; the Brewery Market, a 180,000 SF retail and office property in downtown Halifax; and other smaller properties located in Halifax and Moncton. Total commercial occupancy increased to 95.1% for Q1-2023, compared to 92.4% in Q1-2022.

The increase in NOI during the three months ended March 31, 2023, relates to increased occupancy coupled with higher rental rates on renewals and higher percent rent. Commercial same property results represent approximately 98.6% of Killam's commercial square footage. Same property results do not include properties that were recently acquired or those that are slated for redevelopment and not operating as stabilized properties.

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

PART V

Other Income and Expenses and Net Income

Net Income and Other Comprehensive Income

	Three months ended March 31,		
	2023	2022	% Change
Net operating income	**$50,815**	$45,263	12.3%
Other income	**354**	379	(6.6)%
Financing costs	**(16,861)**	(13,269)	27.1%
Depreciation	**(136)**	(139)	(2.2)%
Administration	**(4,785)**	(4,265)	12.2%
Fair value adjustment on unit-based compensation	**153**	1,084	(85.9)%
Fair value adjustment on Exchangeable Units	**(3,547)**	8,689	(140.8)%
Fair value adjustment on investment properties	**66,759**	27,988	138.5%
Loss on disposition	**(350)**	—	N/A
Income before income taxes	**92,402**	65,730	40.6%
Deferred tax expense	**(8,942)**	(5,703)	56.8%
Net income and comprehensive income	**$83,460**	$60,027	39.0%

Net income and comprehensive income increased by $23.4 million for the three months ended March 31, 2023, as a result of $66.8 million of fair value gains on Killam's investment properties, compared to $28.0 million of fair value gains for the same period in 2022. This was coupled with a $5.6 million increase in net operating income driven by acquisitions and same property NOI growth for the three months ended March 31, 2023. Additionally, there was a $3.2 million increase in deferred tax expense for the three months ended March 31, 2023, compared to Q1-2022.

Financing Costs

	Three months ended March 31,		
	2023	2022	% Change
Mortgage, loan and construction loan interest	**$14,704**	$12,375	18.8%
Interest on credit facilities	**1,509**	197	666.0%
Interest on Exchangeable Units	**682**	701	(2.7)%
Amortization of deferred financing costs	**887**	860	3.1%
Amortization of fair value adjustments on assumed debt	**50**	20	150.0%
Unrealized loss (gain) on derivative liability	**96**	(108)	(188.9)%
Interest on lease liabilities	**98**	98	—%
Capitalized interest	**(1,165)**	(874)	33.3%
	$16,861	$13,269	27.1%

Total financing costs increased $3.6 million, or 27.1%, for the three months ended March 31, 2023, compared to Q1-2022. Mortgage, loan and construction loan interest expense was $14.7 million for the three months ended March 31, 2023, an increase of $2.3 million, or 18.8%, compared to the same period in 2022. Killam's mortgage, loan and construction loan liability balance increased by $112.4 million over the past 12 months as Killam upfinanced maturing mortgages within its existing portfolio, advanced its development projects with construction financing and obtained financing for acquisitions. The average interest rate on refinancings for the three months ended March 31, 2023, was 4.10%, 73 bps higher than the average interest rate on expiring debt.

Interest on credit facilities increased $1.3 million for the three months ended March 31, 2023, compared to the same period in 2022. This rise is due to rapid increase in interest rates over the past 12 months and a higher balance on Killam's credit facilities compared to Q1-2022; used to fund acquisitions in 2022 in addition to advancing Killam's development program. Interest expense related to credit facilities is expected to decrease throughout 2023 as funds from dispositions are used to reduce the balance on Killam's credit facilities.

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

Deferred financing costs include mortgage assumption fees, application fees and legal costs related to financings and refinancings. These costs are amortized over the term of the respective mortgages. CMHC insurance fees are amortized over the amortization period of the mortgage. Deferred financing costs amortization increased 3.1% for the three months ended March 31, 2023, following new debt placement on acquisitions and mortgage refinancings. This expense may fluctuate annually with refinancings.

Capitalized interest increased 33.3% for the three months ended March 31, 2023, compared to the same period in 2022. Capitalized interest will vary depending on the number of development projects underway and their stages in the development cycle. Interest costs associated with development projects are capitalized to the respective development property until substantial completion.

Administration Expenses

	Three months ended March 31,		
	2023	2022	% Change
Administration	**$4,785**	$4,265	12.2%
As a percentage of total revenues	**5.6%**	5.5%	10 bps

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

For the three months ended March 31, 2023, total administration expenses increased $0.5 million, or 12.2%, compared to the same period in 2022. This was due to higher travel expenses, increased wages, as well as higher information technology costs. Administration expenses as a percentage of total revenue were 5.6% for Q1-2023, a 10 bps increase over Q1-2022.

Fair Value Adjustments

	Three months ended March 31,		
	2023	2022	% Change
Investment properties	**$66,759**	$27,988	138.5%
Deferred unit-based compensation	**153**	1,084	(85.9)%
Exchangeable Units	**(3,547)**	8,689	(140.8)%
	$63,365	$37,761	67.8%

Killam recognized fair value gains of $66.8 million related to its investment properties for the three months ended March 31, 2023, compared to fair value gains of $28.0 million for the three months ended March 31, 2022. The increase in fair value gains relates to continued high demand for apartments in Canada, which is driving strong NOI growth.

Restricted Trust Units (RTUs) governed by Killam's RTU Plan are awarded to certain members of Management as a portion of their compensation. Non-executive members of the Board of Trustees have the right to receive a percentage of their annual retainer in the form of RTUs. This aligns the interests of Management and the Trustees with those of unitholders. For the three months ended March 31, 2023, there was an unrealized fair value gain of $0.2 million, compared to a $1.1 million gain for the same period in 2022, due to changes in the market price of the underlying Killam Trust Units and the annual vesting of units in February 2023.

Distributions paid on Exchangeable Units are consistent with distributions paid to Killam’s unitholders. The Exchangeable Units are redeemable on a one-for-one basis into Trust Units at the option of the holder. The fair value of the Exchangeable Units is based on the trading price of Killam’s Trust Units. For the three months ended March 31, 2023, there was an unrealized loss on remeasurement of $3.5 million, compared to an unrealized gain of $8.7 million in Q1-2022. The unrealized loss in the quarter reflects an increase in Killam's unit price as at March 31, 2023, compared to December 31, 2022.

Deferred Tax Expense

	Three months ended March 31,		
	2023	2022	% Change
	$8,942	$5,703	56.8%

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

Killam's deferred tax expense increased by $3.2 million for the three months ended March 31, 2023, compared to the same period in 2022, primarily due to higher fair value gains on investment properties during the quarter.

PART VI

Per Unit Calculations

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

	Weighted Average Number of Units (000s) Three months ended March 31,			**Outstanding Number of Units (000s) as at March 31,**
	2023	2022	% Change	**2023**
Trust Units	**116,995**	113,594	3.0%	**117,200**
Exchangeable Units	**3,898**	4,004	(2.6)%	**3,898**
Basic number of units	**120,893**	117,598	2.8%	**121,098**
Plus:				
Units under RTU Plan (1)	**179**	167	7.2%	—
Diluted number of units	**121,072**	117,765	2.8%	—

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

Funds from Operations

FFO is recognized as an industry-wide standard measure of a real estate entity's operating performance, and Management considers FFO per unit to be a key measure of operating performance. REALPAC, Canada's senior national industry association for owners and managers of investment real estate, has recommended guidelines for a standard industry calculation of FFO based on IFRS. Killam calculates FFO in accordance with the REALPAC definition. Notwithstanding the foregoing, FFO does not have a standardized meaning under IFRS and is considered a non-IFRS financial measure; therefore, it may not be comparable to similarly titled measures presented by other publicly traded companies. FFO for the three months ended March 31, 2023 and 2022, are calculated as follows:

	Three months ended March 31,		
	2023	2022	% Change
Net income	**$83,460**	$60,027	39.0%
Fair value adjustments	**(63,365)**	(37,761)	67.8%
Non-controlling interest	**(4)**	(3)	33.3%
Internal commercial leasing costs	**90**	75	20.0%
Deferred tax expense	**8,942**	5,703	56.8%
Interest expense on Exchangeable Units	**682**	701	(2.7)%
Loss on disposition	**350**	—	N/A
Unrealized loss (gain) on derivative liability	**96**	(108)	(188.9)%
Depreciation on owner-occupied building	**26**	25	4.0%
Change in principal related to lease liabilities	**6**	6	—%
FFO	**$30,283**	$28,665	5.6%
FFO per unit – basic	**$0.25**	$0.24	4.2%
FFO per unit – diluted	**$0.25**	$0.24	4.2%
FFO payout ratio – diluted	**70%**	73%	(300) bps
Weighted average number of units – basic (000s)	**120,893**	117,598	2.8%
Weighted average number of units – diluted (000s)	**121,072**	117,765	2.8%

Killam earned FFO of $30.3 million, or $0.25 per unit (diluted), for the three months ended March 31, 2023, compared to $28.7 million, or $0.24 per unit (diluted), for the three months ended March 31, 2022. FFO growth is attributable same property NOI growth ($3.0 million) and contributions from acquisitions and completed developments ($0.9 million). These increases were partially offset by higher interest costs ($2.1 million) and administration costs ($0.2 million).

Adjusted Funds from Operations

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

Killam uses a rolling three-year historical average of actual maintenance capex for its apartment and MHC portfolios to calculate AFFO. For 2022, this included a maintenance capex reserve of $950 per apartment unit, $300 per MHC site and $0.95 per SF for commercial properties. Details regarding the maintenance capex calculations are included in Killam's 2022 MD&A.

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

	Three months ended March 31,		
	2023	2022	% Change
FFO	**$30,283**	$28,665	5.6%
Maintenance capital expenditures	**(5,127)**	(4,733)	8.3%
Commercial straight-line rent adjustment	**101**	(114)	(188.6)%
Internal commercial leasing costs	**(87)**	(79)	10.1%
AFFO	**$25,170**	$23,739	6.0%
AFFO per unit – basic	**$0.21**	$0.20	5.0%
AFFO per unit – diluted	**$0.21**	$0.20	5.0%
AFFO payout ratio – diluted	**84%**	87%	(300) bps
AFFO payout ratio – rolling 12 months (1)	**74%**	76%	(200) bps
Weighted average number of units – basic (000s)	**120,893**	117,598	2.8%
Weighted average number of units – diluted (000s)	**121,072**	117,765	2.8%

(1) Based on Killam's annual distribution of $0.69996 for the 12-month period ended March 31, 2023, and $0.69166 for the 12-month period ended March 31, 2022.

The payout ratio of 84% for the period ended March 31, 2023, compared to the rolling 12-month period of 74%, corresponds with the seasonality of Killam's business. Killam's first quarter typically has the highest payout ratio due to the lower operating margin from higher heating costs in the winter months. In addition, the MHC portfolio typically generates its highest revenues and NOI during the second and third quarters of the year due to the contribution from its seasonal resorts that generate approximately 60% of their NOI between July and October each year.

The improvement in the AFFO payout ratio for the three months ended March 31, 2023, is attributable to higher AFFO per unit growth of 5.0%, driven by earnings generated from strong same property results. Killam's Board of Trustees evaluates the Trust's payout ratio quarterly, but has not established an AFFO payout target.

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

Adjusted Cash Flow from Operations

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

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

A reconciliation from cash provided by operating activities (refer to the condensed consolidated interim statements of cash flows for the three months ended March 31, 2023 and 2022) to ACFO is as follows:

	Three months ended March 31,		
	2023	2022	% Change
Cash provided by operating activities	**$31,899**	$23,000	38.7%
Adjustments:			
Changes in non-cash working capital not indicative of sustainable cash flows	**(1,134)**	5,409	121.0%
Maintenance capital expenditures	**(5,127)**	(4,733)	8.3%
Internal commercial leasing costs	**(31)**	(118)	(73.7)%
Amortization of deferred financing costs	**(887)**	(860)	3.1%
Interest expense related to lease liability	**(6)**	(6)	—%
Non-controlling interest	**(4)**	(3)	33.3%
ACFO	**$24,710**	$22,689	8.9%
Distributions declared (1)	**21,428**	20,891	2.6%
Excess of ACFO over cash distributions	**$3,282**	$1,798	82.5%
ACFO payout ratio – diluted (2)	**87%**	92%	(500) bps

(1) Includes distributions on Trust Units, Exchangeable Units and restricted Trust Units, as summarized on page 38.
(2) Based on Killam's monthly distribution of $0.05833 per unit.

Killam's ACFO payout ratio is 87% for the three months ended March 31, 2023, which is 500 bps lower than the payout ratio for the three months ended March 31, 2022. Similar to the AFFO payout ratio, Killam's first quarter typically has the highest ACFO payout ratio due to the lower operating margin in the period. This is attributable to higher heating costs in the winter and the fact the MHC portfolio typically generates its highest revenues and NOI during the second and third quarters of the year.

Cash Provided by Operating Activities and Distributions Declared

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

	Three months ended March 31,	
	2023	2022
Net income	**$83,460**	$60,027
Cash provided by operating activities	**$31,899**	$23,000
Total distributions declared	**$21,428**	$20,891
Excess of net income over total distributions declared	**$62,032**	$39,136
Excess of net income over net distributions paid (1)	**$68,689**	$45,618
Excess of cash provided by operating activities over total distributions declared	**$10,471**	$2,109

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

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

PART VII

Liquidity and Capital Resources

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

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

(i) Cash flows from operating activities are expected to be sufficient to fund the current level of distributions and maintenance capex.

(ii) Killam currently has capacity of approximately $120.0 million of capital under its credit facilities and cash on hand.

(iii) Mortgage refinancings and construction loans are expected to be sufficient to fund value-enhancing capex, principal repayments and developments. Killam has $256.2 million of mortgage debt scheduled for refinancing in the remainder of 2023, expected to lead to upfinancing opportunities of $70.0 million.

(iv) Upcoming mortgage maturities are expected to be renewed through Killam's mortgage program.

(v) Killam has unencumbered assets of approximately $70.0 million, on which debt could be placed.

Killam is in compliance with all financial covenants contained in the DOT and through its credit facilities. Under the DOT, total indebtedness of Killam is limited to 70% of gross book value determined as the greater of (i) the value of Killam's assets as shown on the most recent condensed consolidated interim statement of financial position, and (ii) the historical cost of Killam's assets. Total debt as a percentage of assets as at March 31, 2023, was 44.6%.

Killam has financial covenants on its credit facilities. The covenants require Killam to maintain a leverage limit of not more than 70% of debt to total assets, debt to service coverage of not less than 1.3 times and unitholders' equity of not less than $900.0 million. As at May 3, 2023, Killam was in compliance with said covenants.

The table below outlines Killam's key debt metrics:

As at	**March 31, 2023**	December 31, 2022	Change
Weighted average years to debt maturity	**3.8**	3.8	– years
Total debt as a percentage of total assets	**44.6%**	45.3%	(70) bps
Interest coverage	**3.20x**	3.31x	(3.3)%
Debt service coverage	**1.46x**	1.51x	(3.3)%
Debt to normalized EBITDA (1)	**11.08x**	11.21x	(1.2)%
Weighted average mortgage interest rate	**2.80%**	2.74%	6 bps
Weighted average interest rate of total debt	**3.06%**	3.01%	5 bps

(1) Ratio calculated net of cash.

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

As at	**March 31, 2023**	December 31, 2022
Mortgages and loans payable	**$2,043,569**	$1,979,442
Credit facilities	**$86,272**	$121,014
Construction loans	**$74,518**	$94,972
Total interest-bearing debt	**$2,204,359**	$2,195,428
Total assets (1)	**$4,944,620**	$4,849,903
Total debt as a percentage of total assets	**44.6%**	45.3%

(1) Excludes right-of-use asset of $9.6 million as at March 31, 2023 (December 31, 2022 - $9.6 million).

Total debt as a percentage of total assets was 44.6% as at March 31, 2023, down from 45.3% as at December 31, 2022. Management is focused on maintaining conservative debt levels. Total debt to total assets is sensitive to changes in the fair value of investment properties, in particular cap-rate changes.

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

The quantitative sensitivity analysis shown below illustrates the value increase or decrease in Killam's debt to asset ratio given the change in the noted input (cap-rate sensitivity). This analysis excludes the impact of any change in NOI growth.

Cap-Rate Sensitivity Increase (Decrease)	Fair Value of Investment Properties (1)	Total Assets	Total Debt as % of Total Assets	Change (bps)
(0.50)%	$5,479,383	$5,593,520	39.4%	(520)
(0.25)%	$5,173,411	$5,287,548	41.7%	(290)
—%	$4,830,483	$4,944,620	44.6%	—
0.25%	$4,656,825	$4,770,962	46.2%	160
0.50%	$4,436,764	$4,550,901	48.4%	390

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

Normalized Adjusted EBITDA

The following table reconciles Killam's net income to normalized adjusted EBITDA for the 12 months ended March 31, 2023, and December 31, 2022:

Twelve months ended,	**March 31, 2023**	December 31, 2022	% Change
Net income	**$146,211**	122,532	19.3%
Deferred tax expense	**21,806**	18,813	15.9%
Financing costs	**65,091**	61,499	5.8%
Depreciation	**570**	573	(0.5)%
Loss on disposition	**350**	—	N/A
Fair value adjustment on unit-based compensation	**(1,303)**	(2,234)	(41.7)%
Fair value adjustment on Exchangeable Units	**(17,261)**	(29,497)	(41.5)%
Fair value adjustment on investment properties	**(18,901)**	19,870	(195.1)%
Adjusted EBITDA	**196,563**	191,556	2.6%
Normalizing adjustment (1)	**1,536**	3,437	(55.3)%
Normalized adjusted EBITDA	**198,099**	194,993	1.6%
Net debt	**$2,195,204**	$2,186,275	0.4%
Debt to normalized adjusted EBITDA	**11.08x**	11.21x	(1.2)%

(1) Killam's normalizing adjustment includes NOI adjustments for recently completed acquisitions and developments, to account for the difference between NOI booked in the period and stabilized NOI over the next 12 months.

Interest and Debt Service Coverage

Rolling 12 months ending,	**March 31, 2023**	December 31, 2022	% Change
NOI	**$212,464**	$206,912	2.7%
Other income	**1,772**	1,797	(1.4)%
Administration	**(18,023)**	(17,153)	5.1%
Loss on disposition	**350**	—	N/A
Adjusted EBITDA	**196,563**	191,556	2.6%
Interest expense (1)	**61,498**	57,851	6.3%
Interest coverage ratio	**3.20x**	3.31x	(3.3)%
Principal repayments	**73,591**	69,033	6.6%
Interest expense	**61,498**	57,851	6.3%
Debt service coverage ratio	**1.46x**	1.51x	(3.3)%

(1) Interest expense includes mortgage, loan and construction loan interest, and interest on credit facilities.

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

Mortgages and Other Loans

Killam's long-term debt consists of fixed-rate, long-term mortgages. Mortgages are secured by a first or second charge against individual properties. Killam's weighted average interest rate on mortgages as at March 31, 2023, was 2.80%, a 6 bps increase compared to the rate as at December 31, 2022.

Refinancings

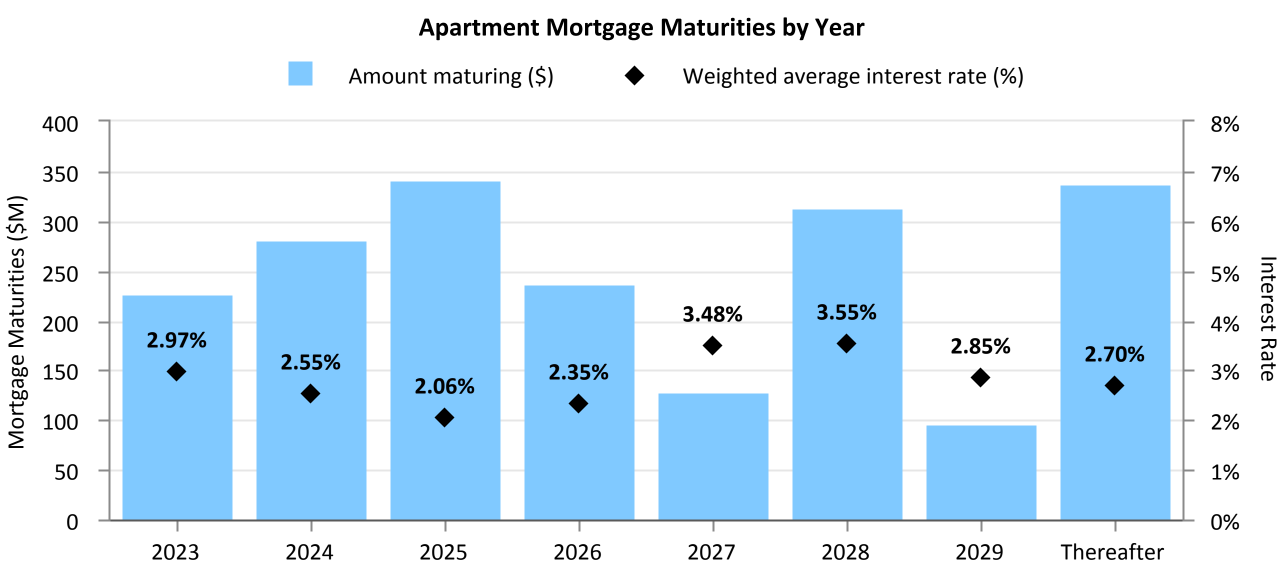
For the three months ended March 31, 2023, Killam refinanced the following mortgages:

	Mortgage Debt Maturities		Mortgage Debt on Refinancing		Weighted Average Term	Net Proceeds
Apartments	$12,344	3.37%	$25,354	4.10%	5.0 years	$13,010
	$12,344	**3.37%**	**$25,354**	**4.10%**	**5.0 years**	**$13,010**

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

	Apartments			MHCs and Commercial		Total	
Year of Maturity	Balance March 31	Weighted Avg Int. Rate %	% CMHC Insured	Balance March 31	Weighted Avg Int. Rate %	Balance March 31 (1)	Weighted Avg Int. Rate %
2023	$227,083	2.97%	50.9%	$31,543	3.62%	$258,626	3.05%
2024	282,230	2.55%	72.9%	23,334	2.75%	305,564	2.56%
2025	341,957	2.06%	52.5%	20,597	2.61%	362,554	2.09%
2026	236,726	2.35%	82.4%	7,522	2.69%	244,248	2.36%
2027	129,528	3.48%	74.6%	32,956	5.12%	162,484	3.82%
Thereafter	746,751	3.08%	100.0%	3,965	3.31%	750,716	3.08%
	$1,964,275	**2.75%**	**78.4%**	**$119,917**	**3.62%**	**$2,084,192**	**2.80%**

(1) Excludes $2.6 million in variable rate demand loans secured by development properties, which are classified as mortgages and loans payable as at March 31, 2023.



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

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

As at March 31, 2023, approximately 78.4% of Killam's apartment mortgages were CMHC-insured (73.9% of total mortgages, as MHC and commercial mortgages are not eligible for CMHC insurance) (December 31, 2022 - 77.2% and 72.5%). The weighted average interest rate on the CMHC-insured mortgages was 2.79% as at March 31, 2023 (December 31, 2022 - 2.71%).

The following tables present the NOI for properties that are available to Killam to refinance at debt maturity in the remainder of 2023 and 2024:

Remaining 2023 Debt Maturities	**Number of Properties**	**Estimated NOI**	**Principal Balance (at maturity)**
Apartments with debt maturing	34	$23,850	$226,959
MHCs and commercial with debt maturing	11	4,119	29,249
	45	**$27,969**	**$256,208**

2024 Debt Maturities	**Number of Properties**	**Estimated NOI**	**Principal Balance (at maturity)**
Apartments with debt maturing	48	$30,635	$267,020
MHCs and commercial with debt maturing	5	3,862	22,150
	53	**$34,497**	**$289,170**

Future Contractual Debt Obligations

As at March 31, 2023, the timing of Killam's future contractual debt obligations is as follows:

Twelve months ending March 31,	**Mortgage and Loans Payable**	**Construction Loans (1)**	**Credit Facilities**	**Total**
2024	$335,810	$74,518	$11,272	$421,600
2025	392,390	—	75,000	467,390
2026	332,123	—	—	332,123
2027	244,864	—	—	244,864
2028	249,045	—	—	249,045
Thereafter	532,560	—	—	532,560
	$2,086,792	**$74,518**	**$86,272**	**$2,247,582**

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

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

Credit Facilities

Killam has access to two credit facilities with credit limits of $155.0 million ($175.0 million with the accordion feature) and $25.0 million (December 31, 2022 – $155.0 million and $15.0 million) that can be used for acquisition and general business purposes.

The $155.0 million facility bears interest at prime plus 55 bps on prime rate advances or 155 bps over bankers' acceptances ("BAs"). The facility includes a $30.0 million demand revolver and a $125.0 million committed revolver as well as an accordion option to increase the $155.0 million facility by an additional $20.0 million. The agreement includes certain covenants and undertakings with which Killam was in compliance as at March 31, 2023. This facility matures December 16, 2024, and includes a one-year extension option.

Killam increased its demand facility from $15.0 million to $25.0 million in Q1-2023, which bears interest at prime plus 75 bps on advances and 135 bps on issuance of letters of credit in addition to 50 bps per annum. The agreement includes certain covenants and undertakings with which Killam was in compliance as at March 31, 2023.

As at March 31, 2023	**Maximum Loan Amount (1)**	**Amount Drawn**	**Letters of Credit**	**Amount Available**
$155.0 million facility	$175,000	$75,000	$—	$100,000
$25.0 million facility	25,000	11,272	2,220	11,508
Total	**$200,000**	**$86,272**	**$2,220**	**$111,508**

As at December 31, 2022	**Maximum Loan Amount (1)**	**Amount Drawn**	**Letters of Credit**	**Amount Available**
$155.0 million facility	$175,000	$112,000	$—	$63,000
$15.0 million facility	15,000	9,014	2,320	3,666
Total	$190,000	$121,014	$2,320	$66,666

(1) Maximum loan includes a $20.0 million accordion option, for which collateral is pledged.

As of May 3, 2023, Killam has decreased the combined amount drawn on its two credit facilities to $60.0 million from $86.3 million as at March 31, 2023, using the net proceeds from dispositions and cash flow from mortgage refinancings.

Construction Loans

As at March 31, 2023, Killam had access to five variable rate non-revolving demand construction loans for the purpose of financing development projects totalling $112.8 million. As at March 31, 2023, $74.5 million was drawn on the construction loans (December 31, 2022 - $95.0 million). Payments are made monthly on an interest-only basis. The weighted average contractual interest rate on amounts outstanding for the three months ended March 31, 2023, was 6.21% (December 31, 2022 - 5.99%). Once construction is complete and rental targets achieved, the construction loans are expected be repaid in full and replaced with conventional mortgages. Killam expects to place permanent financing to replace two construction loans (with a total balance of $60.0 million at March 31, 2023) during the second half of 2023.

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

Investment Properties

As at

	March 31, 2023	December 31, 2022	% Change
Investment properties	**$4,643,002**	$4,637,792	0.1%
Investment properties under construction (IPUC)	**151,374**	135,196	12.0%
Land for development	**36,107**	39,813	(9.3)%
	$4,830,483	$4,812,801	0.4%

Continuity of Investment Properties

As at

	March 31, 2023	December 31, 2022	% Change
Balance, beginning of period	**$4,637,792**	$4,284,030	8.3%
Acquisition of properties	—	116,377	(100.0)%
Disposition of properties	**(9,800)**	—	N/A
Transfer to assets held for sale	**(72,170)**	—	N/A
Transfer from IPUC	—	170,337	(100.0)%
Transfer from land for development	—	1,394	(100.0)%
Capital expenditures and development costs (1)	**19,718**	104,726	(81.2)%
Fair value adjustment – Apartments	**70,151**	(20,050)	(449.9)%
Fair value adjustment – MHCs	**(2,689)**	(16,570)	(83.8)%
Fair value adjustment – Commercial	—	(2,452)	(100.0)%
Balance, end of period	**$4,643,002**	$4,637,792	0.1%

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

Killam reviewed its valuation of investment properties in light of higher inflation and increased borrowing costs as at March 31, 2023, assessing the impact on cap-rates, rental rate growth and occupancy assumptions. It is not possible to forecast with certainty the duration and full scope of the economic impact of higher inflation and interest rates and other consequential changes on Killam's business and operations, both in the short term and in the long term. The fair value gains on Killam's apartment portfolio recognized during the quarter is supported by robust NOI growth driven by strong apartment fundamentals.

The key valuation assumption in the determination of fair market value, using the direct capitalization method, is the cap-rate. A summary of the high, low and weighted average cap-rates used in the valuation models as at March 31, 2023 and 2022, and December 31, 2022, is as follows:

Capitalization Rates

	March 31, 2023			December 31, 2022			March 31, 2022		
	Low	**High**	**Effective Weighted Average**	Low	High	Effective Weighted Average	Low	High	Effective Weighted Average
Apartments	**3.25%**	**6.60%**	**4.49%**	3.25%	7.00%	4.48%	3.00%	7.00%	4.41%
MHCs	**5.25%**	**6.50%**	**5.78%**	5.25%	6.50%	5.78%	5.00%	6.50%	5.59%

Killam's weighted average cap-rates for its apartment and MHC portfolios as at March 31, 2023, were 4.49% and 5.78%, an increase of 1 bps for apartments and consistent with the weighted average cap-rate for MHCs as at December 31, 2022. Killam will continue to monitor the acquisition market to identify cap-rate changes.

Fair Value Sensitivity

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

		Change in Stabilized NOI (1)				
		(2.00)%	**(1.00)%**	**— %**	**1.00%**	**2.00%**
Change in Capitalization Rate	**(0.50)%**	472,323	525,367	578,410	631,454	684,498
	(0.25)%	172,470	222,454	272,438	322,422	372,406
	—%	(94,519)	(47,260)	—	47,260	94,519
	0.25%	(333,784)	(288,966)	(244,148)	(199,330)	(154,512)
	0.50%	(549,443)	(506,826)	(464,208)	(421,591)	(378,973)

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

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

2023 Dispositions

Property	Location	Disposition Date	Ownership Interest	Property Type	Units	Sale Price	Net Cash Proceeds (1)
266 Bronson Ave	Ottawa, ON	17-Mar-23	100%	Apartment	43	**$9,800**	**$7,000**
Total Dispositions						**$9,800**	**$7,000**

(1) Net cash proceeds, after mortgage repayment, does not include transaction costs.

266 Bronson Ave
On March 17, 2023, Killam completed the disposition of a 43-unit apartment property located in Ottawa, ON, for a sale price of $9.8 million. Killam's cash proceeds from the disposition were $7.0 million, net of the previous mortgage associated with the property.

Investment Properties Under Construction

As at

	March 31, 2023	December 31, 2022	% Change
Balance, beginning of period	**$135,196**	$201,319	(32.8)%
Fair value adjustment	**4,070**	19,801	(79.4)%
Capital expenditures	**11,259**	63,217	(82.2)%
Interest capitalized	**849**	2,559	(66.8)%
Transfer to inventory	—	(3,073)	(100.0)%
Transfer to investment properties	—	(170,337)	(100.0)%
Transfer from land for development	—	21,710	(100.0)%
Balance, end of period	**$151,374**	$135,196	12.0%

Land for Development

As at

	March 31, 2023	December 31, 2022	% Change
Balance, beginning of period	**$39,813**	$55,528	(28.3)%
Fair value adjustment	**(4,773)**	—	N/A
Capital expenditures	**751**	2,536	(70.4)%
Interest capitalized	**316**	853	(63.0)%
Acquisitions	—	4,000	(100.0)%
Transfer to investment properties	—	(1,394)	(100.0)%
Transfer to IPUC	—	(21,710)	(100.0)%
Balance, end of period	**$36,107**	$39,813	(9.3)%

Killam's development projects currently underway include the following three projects:

Property	Location	Ownership	Number of Units (1)	Project Budget (millions)	Start Date	Estimated Completion	Anticipated All-Cash Yield
Governor	Halifax, NS	100%	12	$24.3	2021	Q2-2023	4.00%–4.25%
Civic 66	Kitchener, ON	100%	169	$69.7	2020	Q2-2023	4.75%–5.00%
The Carrick	Waterloo, ON	100%	139	$83.5	Q2-2022	Q1-2025	4.00%–4.25%
Total (2)(3)			320	$177.5			

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

(2) In addition, Killam has a 10% interest in the second phase (234 units) of the Nolan Hill development in Calgary, AB, which broke ground during the fourth quarter of 2021 and is expected to be completed in early 2024. Killam has a $65.0 million commitment in place to purchase the the second phase, following completion of construction and the achievement of certain conditions.

(3) In addition, Killam has a 50% interest in the construction of 18 townhouses for future sale on a portion of the Sherwood Crossing land in Charlottetown, which were completed in early 2023. The investment in the townhouses is recorded in residential inventory.

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

Governor

The Governor, with 12 luxury apartment units and 3,500 SF of ground floor commercial space, broke ground in early 2021. The building is located adjacent Killam's 240-unit building, The Alexander, and The Brewery Market in Halifax, NS. The budget for the development is $24.3 million. Construction financing is in place and the project is expected to be completed June 2023.

Civic 66

Civic 66, with 169 apartment units and 3,000 SF of ground floor commercial space, broke ground in Kitchener, ON, in July 2020, is now moving in tenants. The development cost is $69.7 million and to date, fair value gains of $11.3 million have been recorded for this property. The first tenants moved in April 2023, and all floors are expected to be completed by the end of June 2023.

The Carrick

The Carrick, the first phase of a multi-phase project located next to Killam's Westmount Place in Waterloo, ON, broke ground in Q2-2022. This 139-unit project is expected to be completed in 2025 and has a development budget of $83.5 million.

Future Development Pipeline

Killam has a development pipeline, with almost 70% of the future projects located outside of Atlantic Canada. Killam targets yields 50 – 150 bps higher than the expected market cap-rate on completion. Below is a listing of land currently available for future development:

Property	Location	Killam's Interest	Development Potential (# of Units) (1)	Status	Estimated Year of Completion
Developments expected to start in 2023					
Eventide	Halifax, NS	100%	55	Pre-construction	2025
Developments expected to start in 2024–2026					
Westmount Place Phase 2	Waterloo, ON	100%	150	In design	2026
Northfield Gardens Expansion	Waterloo, ON	100%	150	Concept design	2026
Medical Arts	Halifax, NS	100%	200	Concept design	2027
Hollis Street	Halifax, NS	100%	100	Concept design	2027
Gloucester City Centre Phase 3	Ottawa, ON	50%	200	Concept design	2027
Nolan Hill Phase 3 (2)	Calgary, AB	10%	200	In design	2027
Additional future development projects					
Aurora	Halifax, NS	100%	65	Future development	TBD
Nolan Hill Phase 4 (2)	Calgary, AB	10%	200	Future development	TBD
Christie Point	Victoria, BC	100%	312	Development agreement in place	TBD
Quiet Place	Waterloo, ON	100%	160	Future development	TBD
Gloucester City Centre (Phase 4–5)	Ottawa, ON	50%	400	Future development	TBD
Westmount Place (Phase 3–5)	Waterloo, ON	100%	800	Future development	TBD
Kanata Lakes	Ottawa, ON	50%	80	Future development	TBD
St. George Street	Moncton, NB	100%	60	Future development	TBD
Stratford Land	Charlottetown, PE	100%	100	Future development	TBD
Sherwood Crossing	Charlottetown, PE	100%	325	Future development	TBD
15 Haviland	Charlottetown, PE	100%	60–90	Future development	TBD
671 Woolwich St.	Guelph, ON	100%	150	Future development	TBD
Topsail Road	St. John's, NL	100%	225	Future development	TBD
Block 4	St. John's, NL	100%	80	Future development	TBD
Total Development Opportunities(3)			**4,087**		

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

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

(3) Killam has identified opportunities for additional density through redevelopment of existing properties in Halifax of over 4,000 units. Killam is exploring rezoning opportunities, including the incorporation of an affordability component in each of the potential future redevelopments.

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

Capital Improvements

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

During the three months ended March 31, 2023, Killam invested $19.7 million, an increase of 63.1% compared to the same period in 2022. These increases relate to Killam's growing asset base, as well as the timing of larger multi-phase capital projects, increased investment in energy initiatives and Killam's repositioning program. Killam expects to invest $85–$95 million in capital improvements during 2023.

	Three months ended March 31,		
	2023	2022	% Change
Apartments	**$18,247**	$10,942	66.8%
MHCs	**620**	711	(12.8)%
Commercial	**851**	436	95.2%
	$19,718	$12,089	63.1%

Apartments – Capital Investment

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

	Three months ended March 31,		
	2023	2022	% Change
Suite renovations and repositionings	**$8,014**	$5,973	34.2%
Building improvements	**6,610**	2,204	199.9%
Appliances	**1,653**	1,020	62.1%
Energy	**1,199**	1,064	12.7%
Common area	**771**	681	13.2%
Total capital invested	**$18,247**	$10,942	66.8%
Average number of units outstanding (1)	**18,848**	18,324	2.9%
Capital invested – $ per unit	**$968**	$597	62.1%

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

Killam invested $968 per unit for the three months ended March 31, 2023, compared to $597 per unit for the same period in 2022. The increase relates to larger multi-phase capital projects focused on increasing the resiliency of Killam's buildings, along with continued expansion of Killam's unit repositioning program. Killam's focus on development and acquisition of newer properties translates into a lower maintenance capex per unit than many other apartment owners in Canada. Thirty-one percent of Killam's apartments, as a percentage of 2023 forecasted NOI, were built in the past 10 years, and the average age of Killam's portfolio is 29 years. This portfolio of newer assets allows Killam to focus on value-enhancing opportunities, as the maintenance capital requirements are lower.

Suite Renovations and Repositionings

Killam invested $8.0 million in suite renovations during the three months ended March 31, 2023, an increase of 34.2% over the total investment of $6.0 million for the three months ended March 31, 2022. Killam has continued to focus on renovations in order to maximize occupancy and rental growth. Killam targets a minimum ROI of 10% for its unit renovations, earning rental growth of 10% – 40%. The timing of unit renovation investment is influenced by tenant turnover, market conditions and individual property requirements. The length of time that Killam has owned a property and the age of the property also impact capital requirements. During Q1-2023, Killam repositioned 107 units, with an average investment of approximately $33,928 per suite. This generated an average ROI of approximately 14.7%, compared to 150 units in the first three months of 2022, with an average investment of approximately $28,650 per suite, generating an average ROI of 13.0%.

Killam is targeting a minimum of 450 repositionings in 2023, and estimates that the repositioning opportunity within its portfolio is approximately an additional 5,500 units. Over time this would generate an estimated $28 million in annualized revenue, representing an increase of over $400 million in net asset value.

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

Building Improvements
These investments include larger building improvement projects such as exterior cladding and brick work, balcony refurbishments, and roof upgrades, as well as projects such as plumbing improvements, fire safety, security systems and window upgrades. The increase in building investments for the three months ended March 31, 2023, relates to the timing of multi-phase building envelope projects.

Energy
Killam continues to invest in energy-efficiency initiatives, augmenting its sustainability programs and reducing operating expenses. Killam is committed to continuously lowering and reporting on its greenhouse gas emissions and also completing benchmarking using third-party validation. Energy-related projects planned for the remainder of 2023 and 2024 include the installation of photovoltaic solar panels at select properties, installation of electric vehicle chargers, new boilers and heat pumps, window replacements, insulation upgrades, as well as electricity and water conservation projects. Specifically, during Q1-2023, Killam invested $1.2 million in water and sewer upgrades, window replacements and building upgrades, as well as the installation of electric vehicle chargers in various buildings across the portfolio.

MHCs – Capital Investment
A summary of the capital investment for the MHC segment is included below:

	Three months ended March 31,		
	2023	2022	% Change
Water and sewer upgrades	**$357**	$226	58.0%
Site expansion and land improvements	**71**	—	N/A
Other	**182**	172	5.8%
Roads and paving	**8**	288	(97.2)%
Equipment	**2**	25	(92.0)%
Total capital invested – MHCs	**$620**	$711	(12.8)%
Average number of sites	**5,975**	5,875	1.7%
Capital invested – $ per site	**$104**	$121	(14.0)%

Management expects to invest between $750 and $1,000 per MHC site annually. Consistent with the apartment portfolio, a portion of the MHC capital is considered maintenance capital and a portion is considered value enhancing. Maintenance capital includes costs to support the existing infrastructure, and value-enhancing capital includes improvements to roadways, work to accommodate future expansion, and community enhancements. A portion of MHC capital may be recovered through above-guideline increases in provinces with rent control, leading to increased NOI from the investments.

Total capital invested during the three months ended March 31, 2023, was $0.6 million, compared to $0.7 million for the first three months of 2023, a slight decrease of 12.8%. Capital investment relates to various community enhancements, largely water and sewer upgrades in Q1-2023. As with the apartment portfolio, the timing of MHC capital investment changes based on requirements at each community.

Commercial — Capital Investment
During the three months ended March 31, 2023, Killam invested $0.9 million in its commercial portfolio, an increase of 95.2% over the total investment of $0.4 million for the three months ended March 31, 2022. These investments relate to property upgrades and tenant improvements for new leasing opportunities at Killam's three stand-alone commercial properties: The Brewery, Westmount Place and Royalty Crossing. The significant capital investment at Royalty Crossing has led to the addition of new gross leasable area of 3,094 SF being added to the commercial property. The timing of capital investment will vary based on tenant turnover.

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

Unitholders' Equity

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

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

Unitholders have the right to redeem their units at the lesser of (i) 90% of the market price of the Trust Unit (market price is defined as the weighted average trading price of the previous 10 trading days), and (ii) the most recent closing market price (closing market price is defined as the weighted average trading price on the specified date) at the time of the redemption. The redemption price will be satisfied by cash, up to a limit of $50 thousand for all redemptions in a calendar month, or a note payable. For the three months ended March 31, 2023, no unitholders redeemed Trust Units.

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

The following chart highlights Killam's distributions paid and Trust Units reinvested.

Distribution Reinvestment Plan and Net Distributions Paid

	Three months ended March 31,		
	2023	2022	% Change
Distributions declared on Trust Units	**$20,677**	$20,121	2.8%
Distributions declared on Exchangeable Units	**682**	701	(2.7)%
Distributions declared on awards outstanding under RTU Plan	**69**	69	—%
Total distributions declared	**$21,428**	$20,891	2.6%
Less:			
Distributions on Trust Units reinvested	**(6,588)**	(6,413)	2.7%
Distributions on RTUs reinvested	**(69)**	(69)	—%
Net distributions paid	**$14,771**	$14,409	2.5%
Percentage of distributions reinvested	**31.1%**	31.0%	

Normal Course Issuer Bid

In May 2022, Killam announced that the TSX had accepted Killam's notice of intention to make a normal course issuer bid for its Trust Units. Under the normal course issuer bid, Killam may acquire up to 3,000,000 Trust Units commencing on June 2, 2022, and ending on June 1, 2023. All purchases of Trust Units are made through the facilities of the TSX at the market price of the Trust Units at the time of acquisition. Daily repurchases by Killam are limited to 53,703 Trust Units, other than block purchase exemptions. Any Trust Units acquired will be cancelled. During April 2023, Killam was active under its NCIB, purchasing and cancelling 11,822 Trust Units at a weighted average unit price of $16.92.

PART VIII

Summary of Selected Consolidated Quarterly Results

	Q1-2023	Q4-2022	Q3-2022	Q2-2022	Q1-2022	Q4-2021	Q3-2021	Q2-2021
Property revenue	**$84,895**	$84,534	$85,301	$81,548	$77,464	$76,998	$76,244	$70,300
NOI	**$50,815**	$53,169	$56,792	$51,685	$45,263	$47,921	$50,455	$44,596
Net income (loss)	**$83,460**	($9,810)	$3,600	$68,716	$60,027	$74,801	$46,634	$136,672
FFO	**$30,283**	$32,719	$37,144	$34,078	$28,665	$30,514	$34,246	$29,369
FFO per unit – diluted	**$0.25**	$0.27	$0.31	$0.28	$0.24	$0.27	$0.30	$0.27
AFFO	**$25,170**	$27,417	$32,188	$29,002	$23,739	$25,669	$29,510	$24,774
AFFO per unit – diluted	**$0.21**	$0.23	$0.27	$0.24	$0.20	$0.22	$0.26	$0.23
Weighted average units – diluted (000s)	**121,072**	120,676	120,292	119,938	117,765	114,571	114,250	109,929

Risks and Uncertainties

Killam faces a variety of risks, the majority of which are common to real estate entities. These are described in detail in the MD&A of Killam's 2022 Annual Report and in Killam's AIF, both filed on SEDAR. These factors continue to exist and remain relatively unchanged.

Critical Accounting Policies and Significant Accounting Judgments, Estimates and Assumptions

The condensed consolidated interim financial statements should be read in conjunction with Killam's most recently issued Annual Report, which includes information necessary or useful to understanding Killam's business and financial statement presentation. In particular, Killam's significant accounting policies were presented in note 2 to the audited consolidated financial statements for the year ended December 31, 2022, and any changes in the accounting policies applied have been described in note 2 to the condensed consolidated interim financial statements for the three months ended March 31, 2023.

The preparation of financial statements in conformity with IFRS requires Management to make estimates and assumptions. Significant areas of judgment, estimates and assumptions are set out in note 3 to the audited consolidated financial statements found in Killam's 2022 Annual Report. The most significant estimates relate to the fair value of investment properties and deferred income taxes.

The condensed consolidated interim financial statements dated March 31, 2023, have been prepared considering the impact that the spread of COVID-19 has and continues to have on local, national and worldwide economies. Measures taken to contain the spread of the virus have triggered significant disruptions to businesses worldwide. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. Killam has considered the economic outlook that may be experienced as a result of the impact of this virus on its tenants, suppliers and lenders. Killam has also considered the current inflationary economic environment, the impact of rising interest rates and the potential for government intervention, and how increased uncertainty could impact the valuation of investment properties. Killam has used the best information available as at March 31, 2023, in determining its estimates and the assumptions that affect the carrying amounts of assets, liabilities and earnings for the period. Actual results could differ from those estimates. Killam considers the estimates that could be most significantly impacted by COVID-19 to include those underlying the valuation of investment properties and the estimated credit losses on accounts receivable.

Disclosure Controls, Procedures and Internal Controls

Management, including the Chief Executive Officer and the Chief Financial Officer, does not expect that Killam's disclosure controls, procedures and internal controls will prevent or detect all error and all fraud. Because of the inherent limitations in all control systems, an evaluation of controls can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within Killam have been detected. During the most recent interim period, there have been no significant changes to Killam's disclosure controls, procedures or internal controls.

Subsequent Events

On April 17, 2023, Killam announced a distribution of $0.05833 per unit, payable on May 15, 2023, to unitholders of record on April 30, 2023.

On April 21, 2023, Killam completed the disposition of The James, a 108-unit apartment building located in Halifax, NS, for a sale price of $33.0 million, and net cash proceeds of $20.1 million. Conditions have been waived on the sale of two additional properties totalling 224 units and a combined sale price of $39.2 million, both are expected to close in May 2023.

Between April 4, 2023, and April 24, 2023, Killam purchased and cancelled 11,822 Trust Units through its normal course issuer bid, at a weighted average purchase price of $16.92 per unit.